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# International Herald Tribune

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# American May Be Released

## *Beirut Statement Says Hostage Will Be Freed Tuesday*

*Compiled by Our Staff From Dispatches*

BEIRUT — Kidnappers announced in Beirut on Sunday that an American hostage, Frank Herbert Reed, would be freed by Tuesday.

"We have decided to release American hostage Frank Reed within 48 hours, carrying a message addressed to the American administration," the kidnappers said in an unsigned typewritten statement in Arabic delivered to the press on Sunday night.

A group calling itself the Organization of the Islamic Dawn later said it was freeing Mr. Reed.

The announcement of Mr. Reed's imminent release, accompanied by two photographs of him, followed the freeing in Lebanon a week ago of an American hostage, Robert Polhill, after 39 months in the hands of a pro-Iranian group, Islamic Jihad for the Liberation of Palestine.

Mr. Polhill was the first American hostage released in Lebanon since 1986. Mr. Reed, 57, director of the Lebanese International School, was abducted on Sept. 9, 1986.

In Washington, President George Bush had no comment on the report from Beirut.

"I've learned not to speculate on the hostages for the reasons I keep explaining," Mr. Bush said. "I just won't say anything."

In Malden, Massachusetts, Robert Langston, Mr. Reed's brother-in-law said, "We'll see. Basically it's a few times they've done this. I think it's been so long, it's happened so often, we'll see."

In one of the photographs accompanying the announcement on Mr. Reed, sent to a Beirut newspaper, An Nahar, and to an international news agency, he looked clean and shaven and was wearing a blue shirt. In the other, Mr. Reed appeared tired and haggard.

A group calling itself the Libyan-backed Arab Revolutionary Cells said in 1986 it had abducted Mr. Reed, 57.

Mr. Reed's wife, Fifi, a Lebanese, and their 9-year-old son, Derek, have been living in Massachusetts since he was seized.

*(Reuters, AP)*

Wojtek Druzcz/Agence France-Presse

**Lithuanian families riding bicycles through central Vilnius on Sunday in a defiant gesture toward Moscow, which has imposed energy sanctions on the republic.**

# A New Mood Of Compromise Over Lithuania

*Compiled by Our Staff From Dispatches*

MOSCOW — Lithuania and Moscow headed toward compromise Sunday over the republic's declaration of independence, and the Kremlin appeared poised to resume natural gas supplies to a big chemical plant there.

Prospects for a breakthrough in the seven-week impasse emerged after the Kremlin said it would agree to Lithuania's freezing its March 11 declaration of independence instead of renouncing it.

The new mood of compromise was reinforced by reports that the Soviet prime minister, Nikolai I. Ryzhkov, had ordered a sharp increase in natural gas supplies to the Azot chemical plant in Janava, 90 kilometers (55 miles) northwest of Vilnius.

The plant production manager, Vladislavas Gedvidas, said Sunday that Mr. Ryzhkov had approved deliveries of 3 million cubic meters of natural gas a day, six times what the Kremlin has been supplying since April 19, when economic sanctions went into effect.

So far, Mr. Gedvidas said, there has been no increase.

"I have tried to find out about the promise yesterday and today, but there is no result so far," he said.

There was no official announcement by Moscow of a change of policy.

The plant produces specialty glues and fertilizers, some of them for export to foreign markets for hard currency.

The apparent shift away from confrontation came after Moscow toughened economic sanctions on Friday by cutting off coal shipments. Lithuania announced limited food rationing beginning Tuesday and said some publications would be suspended because supplies of newsprint and other printing material were dwindling.

But the mood in the republic remained defiant, and Lithuanian officials insisted that there was no turning back on the declaration itself. About 2,000 cyclists rallied in Vilnius to show their resolve in the face of the Kremlin's blockade of energy supplies, which has left motorists stranded and forced layoffs at many factories.

Vytautas Landsbergis, the Lithuanian president, welcomed a proposal to freeze the declaration, an idea presented by France and West Germany last week.

"The suggestion to suspend the enforcement of the decision on independence of March 11 is constructive and worthy of careful consideration," he said on Radio Vilnius.

A spokesman for President Mikhail S. Gorbachev, Arkadi Maslennikov, emphasized that the Soviet president was not now insisting that Lithuania rescind the declaration as it has previously.

The French-West German effort, in the form of a letter to Mr. Landsbergis, has clearly made the situation more fluid, although the sides remain far apart, with both the Soviet Union and Lithuania demanding sovereignty under their clashing constitutions. But the principals appear to be searching harder for middle ground.

**The French-German initiative on Lithuania had the private backing of President Bush. Page 3.**

"They should not insist on implementation," Mr. Maslennikov said of the Lithuanian leaders. "They can find some way of phrasing, of putting on a moratorium."

The Kremlin spoke in virtual parallel with the proposal of Chancellor Helmut Kohl of West Germany and President François Mitterrand of France that Lithuania temporarily suspend the enforcement of the declaration to promote serious negotiations with Moscow.

"If they see in that letter a kind of face-saving device, let them," Mr. Maslennikov said at a news conference. "We are not very keen on appearing victorious. We are for the essence of the process."

While insisting that the Soviet Constitution is the only basis for an eventual solution to the Lithuanian question, the spokesman gave no immediate indication of how the Kremlin would react should Lithuania adopt the moratorium.

Mr. Landsbergis still insisted on Saturday that "we cannot rescind our constitution even temporarily," but he quickly spoke of a "temporary confederative link" or other relationship with Moscow during a transition to independence.

Mr. Gorbachev, who has been insisting that Lithuania must eventually observe the Soviet Constitution and return to the fold, took the tack two weeks ago of making this secondary to dealing with the simpler issue of three Lithuanian laws passed after the declaration. They would exempt Lithuanians from Soviet conscription, introduce identity cards and take over property claimed by the small, pro-Moscow Communist Party.

*(Reuters, NYT)*

# After Dublin, a Sudden Push for EC Innovation

By Joseph Fitchett
*International Herald Tribune*

DUBLIN — European Community leaders, emboldened in their efforts to cope with the political revolution in Eastern Europe, are suddenly on the move in seeking new security arrangements for Europe and a more cohesive Community.

This new readiness to envisage innovative designs in the post-Cold War Europe emerged Saturday at the one-day EC summit meeting in Dublin, which disclosed converging views among the United States and EC governments about Europe and an ambitious joint agenda in coming months.

The key to this reviving self-confidence among Europeans, several summit participants said, is the growing conviction that German reunification will strengthen the Community, not dislocate it. The Dublin meeting, a diplomat said, marked "a triumph of the West German diplomacy, which helped produce a fait accompli and then persuaded some dubious neighbors to like it."

Grudgingly, optimism about reunification has replaced the misgivings that dominated a previous EC special summit meeting on the two Germanys in Paris in November. At that time, other EC governments, appearing stunned by the implications of the fall of the Berlin Wall, sought to slow down reunification.

Now EC leaders have reached the same policy conclusions as the Bush administration in wanting to see reunification happen fast to help stabilize Eastern Europe.

"The sooner we eliminate the anomaly of two Germanys being run from Bonn, the less economic risk for the EC and the less security risk for NATO," one foreign minister said privately.

On this upbeat note about a new Germany, the EC leaders set in motion a set of initiatives:

- The EC Commission, to ensure that German reunification proceeds smoothly for the rest of the Community, will be "fully informed" of discussions and arrangements between the two Germanys. The commission will seek to prevent German monopolies taking shape in East Germany and to promote other EC countries' role there.
- The Community will pursue closer political and possibly even security cooperation that goes beyond the economic integration and diplomatic coordination among the Common Market countries. Despite Britain's objections to any substantial loss of national sovereignty in these domains, EC leaders seem set to start negotiating on these issues later this year in hopes of forging new institutions by 1993.
- NATO will be "maintained" as the security framework for its members, including a united Germany. Although the alliance seldom comes up at EC summit meetings, British and French officials publicly underscored NATO's continuing role in guaranteeing Europe's security. While seeking a stronger voice in it, European leaders have concluded that NATO is needed to balance Soviet power and forestall any need for West Germany to seek nuclear weapons, a summit participant said.
- To reassure the Soviet leadership about Western interest in finding a pan-European forum for discussions on mutual security, the Community proposed that preparatory work start in July for a summit meeting this year of the Conference on Security and Cooperation in Europe. In effect, the Community said that it wanted the 35-nation conference to start discussing new security arrangements in Europe this year, as the Soviet Union has proposed, despite the signs of a tougher Soviet line in the Vienna talks on cutting conventional forces in Europe.

**EC leaders say unification will be a locomotive for growth. Page 11.**

In the view of most Western leaders, a summit participant said, Mikhail S. Gorbachev's recent harsher tone on German reunification, Lithuania and arms control is a tactical maneuver aimed at getting conservatives' support at a crucial congress of the Soviet Communist Party in early July.

By that time, the official said, "we will have a NATO summit, where we expect proposals from the Bush administration about how to adjust the alliance militarily and politically" to new conditions in Europe.

There are tentative Western plans to offer Moscow reassuring measures — for example, a nonaggression pact to be proposed at the security conference summit meeting.

But if Mr. Gorbachev pursues his newly conservative line after the party congress, the summit participant said, "we will have to rethink a lot of our current thinking."

If European leaders feel that they have wrested the initiative from Mr. Gorbachev, it is partly because they feel less overwhelmed by German reunification, whose potential impact jaundiced EC leaders' views about the whole process of change in Eastern Europe.

Although offering no figure for possible costs to the Community of absorbing East Germany, the commission predicted that reunification would raise growth by 1 percent in West Germany and one-half of 1 percent in other EC countries.

EC leaders were reminded by Mr. Kohl that they were not being asked to pay, that "the Germans do not intend to stick their hand into the EC wallet." The Community will extend only minimal transi-

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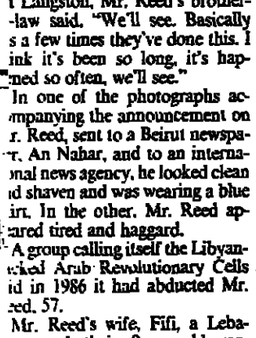
## Kiosk

### 6 Die as Ferry Sinks Off Sicily

TRAPANI, Sicily (AP) — A car ferry carrying 52 passengers and crew members sank off the Sicilian coast on Sunday, leaving six people dead and seven missing. All were Italians.

The 3,500-ton ferry Trapani Express sank at 5 P.M. about a mile from this port city on Sicily's west coast. The ferry left Saturday evening from the Tuscan port of Livorno. The ferry carried 34 passengers and 18 crew members.

### MONDAY Q&A



AFP

Uffe Ellemann-Jensen, the Danish foreign minister, clears up a point: Copenhagen backs full EC integration. Page 2.

**General News**

China said hundreds of people had been subjected to torture or wrongful detention. Page 2.

Anti-Iliescu protests attracted big crowds Sunday in four Romanian cities. Page 2.

Iran-contra investigators kept secret a diversion of more than $1 million to Israel. Page 4.

**Special Report**

Taiwan has become rich, but the cost of success is urban pollution and growing political discontent. Pages 7-10.

**Business/Finance**

Donald Trump's Atlantic City casinos are going through difficult times. Page 11.

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# *U.S.-Israel Ties: A Time of Ill Will*

By Glenn Frankel
*Washington Post Service*

JERUSALEM — After the collapse of Shimon Peres's attempt to forge a new government, relations between the United States and Israel are at their lowest since the fractious days of Menachem Begin's prime ministership in the early 1980s.

Washington and Jerusalem are in conflict on many difficult issues and are expressing their differences in tougher, more uncompromising language, according to officials and analysts on both sides.

They disagree over Jewish settlement in the occupied territories, the status of Jerusalem and the role of the Palestine Liberation Organization in the peace process.

The conflicts have existed for years but were played down during the Reagan administration, which constructed a reservoir of trust and goodwill between Washington and Jerusalem.

Now the reservoir has been drained and suspicion reigns. The acting prime minister, Yitzhak Shamir, and many of his supporters believe that members of the Bush administration actively sought to undermine his government to see him replaced by Mr. Peres.

U.S. officials, who deny that accusation, believe Mr. Shamir misled them by putting forward a peace proposal he never intended to carry out.

The suspicions have been compounded by stylistic differences.

Mr. Shamir is uncomfortable with the U.S. administration's penchant for telephone diplomacy. President George Bush and Secretary of State James A. Baker 3d are unwilling to put their personal prestige on the line by shuttling between Mideast capitals.

**NEWS ANALYSIS**

The two sides increasingly communicate through harsh public statements. Last week, there was an angry exchange of criticism over the government-funded occupation of church-owned property in the Christian Quarter of Jerusalem's Old City by Jewish settlers.

"We feel we are being narrowed into a corner," said a senior Israeli official. He complained that "every day we get another blast" from the State Department or White House spokesman.

The Bush administration has been careful not to take sides pub-

See ISRAEL, Page 5

Michel Euler The Associated Press

## In a Swiss Area, Men Once More Deny Women the Right to Vote

Men in Appenzell, Switzerland's last bastion of male supremacy, overwhelmingly voting on Sunday for the third time in two decades to continue to deny women a voice in local affairs. The all-male legislative assembly of the half-canton of Appenzell-Innerrhoden rejected a government-proposed constitutional amendment that would have introduced full suffrage for women. A final decision on the issue is expected to be made by the Federal Tribunal, Switzerland's supreme court.

# De Maizière Fails to Sway Gorbachev

By Francis X. Clines
*New York Times Service*

MOSCOW — East Germany's prime minister called Sunday for changes in the "structure and strategy" of the North Atlantic Treaty Organization, as President Mikhail S. Gorbachev reiterated the Soviet Union's opposition to a reunited Germany belonging to NATO.

In his first Kremlin visit since taking office two weeks ago, Prime Minister Lothar de Maizière said that he and Mr. Gorbachev had "differences of opinion" about potential NATO membership for a reunited Germany.

But Mr. de Maizière expressed optimism that progress on the issue might be possible at coming negotiations on German unification involving the foreign ministers of the two Germanys and those of the four victorious wartime allies: the United States, the Soviet Union, Britain and France.

**As Germans look to NATO, the Soviet Union again urges an end to Europe's alliances. Page 5.**

After Mr. de Maizière departed following his daylong visit, Mr. Gorbachev was quoted by national television as saying that "the Soviet Union's attitude toward unilateral, unbalanced proposals of the entry of a future German state into NATO remains negative."

However, the Kremlin already has indicated some flexibility on the unification issue. In a White House visit earlier this month, the Soviet foreign minister, Eduard A. Shevardnadze, signaled that Moscow was prepared to drop its demand that a unified Germany be neutral.

Mr. Shevardnadze confirmed this in an interview Saturday with the Irish Times. He spoke instead in the interview of the possibility of a nonaligned status for Germany.

Mr. Shevardnadze said on April 6 that Moscow was open to any number of proposed pan-European security structures, and even to the

See GERMANY, Page 5

# *Japan Again Runs Up the Flag, but Not Everybody Is Saluting*

By Steven R. Weisman
*New York Times Service*

TOKYO — Graduation ceremonies at an elementary school were delayed the other day when a father ripped down the Japanese flag and hid it inside his clothes. Many other schools throughout the country refused to display the flag in the first place.

The protests arose when the government required that the national flag, featuring a red sun on a white field, be displayed at all such ceremonies and that the national anthem be sung in praise of the emperor.

Opinion surveys show that most Japanese favor displaying the flag and singing the anthem at official functions, but that they dislike coercion. Thus, many are watching to see whether the government will punish the principals, teachers and students who recently defied its directive.

The Asahi newspaper, for example, expressed "our sense of misgiving and concern over schools being used as a loyalty test of sorts" and urged government authorities "to take a second look at the fact that a large number of Japanese are indeed worried" about the issue.

On the surface, the issue may resemble the sharp disagreements in the United States over requirements to recite the Pledge of Allegiance and the Supreme Court's ban on prohibitions against desecration of the flag.

But the debate in Japan runs far deeper. Because both the flag and the anthem accompanied the brutal militarism of the first half of this century, some feel that reviving them as symbols would be a mistake.

Many objections center on the anthem, known as "Kimigayo," which extols the reign of the Japanese emperor, in whose name Japanese troops marched across Asia.

Both the flag and the anthem were banned by General Douglas A. MacArthur, supreme commander and administrator of Japan after the war. They have never been officially reinstated but have come to be adopted as state symbols.

In recent years, Japanese leaders have expressed alarm at what they feel has been a deterioration of traditional values and lack of appreciation of Japanese heritage among children.

Accordingly, two years ago, the Education Ministry and the governing Liberal Democratic Party endorsed major changes in school curriculums, including restoration of the reputation of historical figures regarded by many in Japan, and by other Asian countries, as oppressors.

The ministry has designated the flag and anthem as national symbols since 1977, but no law to this effect has ever been enacted by the Diet, or parliament.

Officially, the ministry's directive on the flag and anthem is to be phased in over the next three years. But the ministry informed schools that it "would be desirable" to start at the beginning of this month, hinting at punitive action if schools failed to heed the advice.

News organizations found that most schools heeded the warning. The Education Ministry, at the same time, was reportedly not prepared to engage in widespread arrests or censuring of those school authorities that ignored it.

The ministry recently announced that it would conduct a nationwide survey and make the results known in the summer.

# Denmark Backs Strengthening of EC Integration

*Uffe Ellemann-Jensen, the Danish foreign minister, discussed the European Community summit meeting in Dublin over the weekend with Barry James of the International Herald Tribune.*

Q. Some reports have suggested that Denmark, like Britain, was lukewarm to the proposal of President Mitterrand and Chancellor Kohl for greater political union.

A. I have seen those reports and they are simply not true. Of course we need to find out what they mean by their proposal, and that is exactly what they asked the Community to try to define. There should certainly be no misunderstanding that we support a strengthening of the Community structures. We believe that, hand in hand with German unification and with the new openness towards the rest of Europe, we need to strengthen the integration of the Community. We made that absolutely clear. This is actually a new and much more positive point of view from the Danes than you have seen before.

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Q. The British prime minister warned about loss of sovereignty. Is this a view with which your government identifies?

A. If political union means that we should have one common parliament, one common sovereign, one common foreign policy in all matters — well, we would not like that picture, nor would anyone else. But that is not what we are talking about. Political union is a sort of headline both to convince Europeans that we need to strengthen our structures in order to meet the challenges, and to present Europe in a stronger and more convincing way to the outside world.

Q. Well, I don't suppose the French and the Germans want to give up their historic national institutions. Have their motives been misrepresented as well?

A. Goodness yes. It would be much better to try to find what is uniting us in this debate. In Denmark, where you used to find footdragging, we have certainly got the message, from what has happened in Eastern and Central Europe and the prospect of German unification, that the answer is to strengthen European institutions and cooperation.

### MONDAY Q&A

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Q. Is your government satisfied about the degree of democratic control within the EC, which seems to be one of the key aspects of political union?

A. No. Under the headline of political union there are a number of ways in which we would like to see the Community strengthened. One is the democratic control of the Community — and to that you should add openness in decision-taking. We have some traditions for openness in the public sector that we would like to see introduced in the Community in order to strengthen its democratic structure.

At the same time we would like to strengthen the decision-taking process by enlarging the areas in which majority decisions can be taken, for instance, the environmental area. And we would like to see the Community have a stronger policy of openness towards the rest of Europe. We want to see the Community open itself up to new members when they are ready to apply — first the countries of the European Free Trade Association and, as soon as it can become practically possible, new democracies such as Czechoslovakia and Hungary.

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Q. All of which requires much more cohesion in the Community?

A. Oh yes, but it will come, I am sure. We can do it because the EC is in historical terms a unique institution built upon a set of rules that applies equally to everyone. That is why we, a small country, put a lot of emphasis on using the EC as the motor of European development.

●

Q. You as foreign ministers will now study the proposal for political union and report back to the next EC summit in June. Is there a danger of procrastination here?

A. No. This is what the two gentlemen behind the proposal had asked for. They got what they wanted, and the council was positive in supporting the concept of political union. Now we have to put some meaning behind the words. But the important thing is that the Dublin meeting went well. There were no raised voices, no sarcasm, no blockades. Behind the whole discussion was the belief that the right answer to a united Germany, the right answer to the aspirations of Eastern and Central Europe is a strengthening of our cooperation. So I would say the meeting was a success.

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Q. Many feel that President Mitterrand and Chancellor Kohl were sending an important message that they are not going to allow European unity to become bogged down over the question of German union. Was this view generally accepted at the Dublin meeting?

A. Certainly yes. I see two important messsges in their letter. One is an underlining of the fact that German unity is going to take place in a European context and the other is that we want to send a stronger message to the outside world. I think the French position is interesting. In 1987, when Denmark had the EEC presidency, we introduced what has since become a tradition, that is an annual meeting between the 12 EC foreign ministers and the U.S. secretary of state during the September opening of the UN General Assembly.

This was originally over the objection of the French, who warned against allowing an elephant into the cradle. Now, after the meeting in Florida between President Bush and President Mitterrand, the French are arguing that we should increase the number of meetings between the United States and Europe at the ministerial level, that we should increase Atlantic cooperation. They have even been talking about setting that down in a treaty. So things have really been developing in a positive direction.

# China Aide Admits Rise In Detention And Torture

*United Press International*

BEIJING — A senior Chinese legal official acknowledged Sunday that hundreds of people had been subjected to torture or wrongful detention in the first three months of this year, a big increase over 1989.

The admission, carried by the newspapers and the official Xinhua press agency, was contained in a report on legal cases by Liang Guoqing, deputy chief of the Chinese Supreme People's Procuratorate, the national attorney-general's office.

The report did not specify whether the cases involved those detained after the crackdown in June on the student movement that called for democracy.

Although the Chinese authorities have cited figures on wrongful detention and torture in previous years, the acknowledgment that the numbers have risen contradicts denials by the government of human rights violations in Chinese jails.

Mr. Liang said the government had received more than 9,500 complaints in the first three months of this year involving "dereliction of duty and infringement of citizens' rights." The cases included "perverting justice for bribes, extorting confession by torture, illegal detention and neglect of duty," he said.

He noted that officials had investigated 490 cases "involving deaths and injuries" and that the major cases represented a nearly 60 percent increase over the same period in 1989.

Western diplomats and human rights groups have estimated that 10,000 to 30,000 people were arrested or detained nationwide last year following the violent crackdown on the protests in Beijing.

Many of those detained have since been released, but have emerged with grim tales of confinement in neighborhood detention centers. Some former detainees have reported beatings, torture with electric prods and long confinement without trial.

Dozens of students and intellectuals, including some of the leaders of last year's protests, are being held at the top-security Qincheng Prison in Beijing's northern suburbs. Most have been held incommunicado for nearly a year without being formally charged.

### ■ Corruption Cases Rise

The number of officials arrested in China for corruption has risen sharply to 289 in the first quarter of this year compared, with 50 in the first quarter of 1989, according to Xinhua, Agence France-Presse reported from Hong Kong.

The agency also said that 24,000 cases of embezzlement or bribery had been reported in the first three months of the year. The agency did not give figures for the previous year.

# WORLD BRIEFS

## Turks Seize More Iraq-Bound Pipes

ISTANBUL (Reuters) — Turkish customs officials said Sunday that they had seized two more truckloads of steel pipes that they they suspected might be components for the Iraqi arms industry.

They said two Iraq-bound trucks were being held at Turkey's Kapikule border with Bulgaria while investigations were underway. Another truck was seized last week.

Western fears that Iraq was developing a "doomsday gun" were prompted earlier in April when British customs officials impounded eight precision-made steel tubes they said could form the barrel of a supergun. Greece has also impounded a truck reportedly carrying a weapons system bound for Iraq.

## John Paul Concerned on Jerusalem

VATICAN CITY (Reuters) — Pope John Paul II said Sunday that he was deeply concerned over tensions between Arabs, Jews and Christians in Jerusalem, and he appealed for a solution that would respect the rights of all involved.

He was addressing a crowd in St Peter's Square after the 24-hour closure on Friday of Christian holy sites in Israel and the occupied West Bank in protest over a Jewish settlement in the Christian Quarter of Jerusalem.

"The serious incidents that have occurred recently in the holy city and that led to the sorrowful decision to temporarily close holy places, particularly the Church of the Holy Sepulcher, are a cause, also for me, of suffering and profound concern," the Pope said.

## Colombian Is Asked to Leave Plane

BOGOTA (Reuters) — A former Colombian president was asked to leave a commercial jetliner amid fears his presence would jeopardize passenger safety after the midair assassination last week of a presidential candidate, newspapers reported Sunday.

The former president, Misael Pastrana Borrero, boarded the Avianca airplane en route to the port city of Cartagena on Friday. He and his bodyguards left when asked to by the pilot, the papers said. The incident came a day after Carlos Pizarro León Gómez, a former leader of the M-19 guerrilla group who was seeking the presidency, was killed in a machine-gun attack on an airplane.

The government later announced measures to reduce the risk to presidential candidates. It said that the Elite Corps, a police unit that was formed to fight guerrillas and drug traffickers, would be doubled in size, and that candidates would be given more free television and radio time to allow them to reduce their personal campaigning.

## Finnish Communists Change Name

HELSINKI (AP) — Finland's Communists, meeting over the weekend, disbanded the country's 72-year-old Communist Party and instead formed a Left-Wing Union in a bid to save the declining communist movement.

More than 4,000 delegates also voted to dissolve the Communist Party's umbrella organization, the People's Democratic League, and the breakaway Democratic Alternative faction.

## Nepal Leader Calls for Resignations

KATMANDU, Nepal (AP) — Nepal's new prime minister, Krishna Prasad Bhattarai, demanded the resignation of the country's 14 top regional administrators Sunday, many of whom had supported a police crackdown on demonstrators who sought multiparty government.

Mr. Bhattarai, a leader of the campaign for political parties, said he had told the officials during a meeting in Katmandu that their "office had become redundant" in Nepal's emerging multiparty democracy. Mr. Bhattarai, the Nepali Congress Party president, said there was no immediate reaction from the regional commissioners to his call for their resignation. Many of the commissioners had conveyed to the police the previous government's orders on April 6 to shoot demonstrators.

## Abortion Foes Rally in Washington

WASHINGTON (NYT) — Hundreds of thousands of people rallied in Washington to pledge their commitment to outlawing abortion and received promises of support from President George Bush and Vice President Dan Quayle.

Mr. Bush, who spoke to the crowd around the Washington Monument by telephone, said the "widespread prevalence of abortion in America is a tragedy." Mr. Quayle, who appeared at the rally Saturday, gave an statement of support, saying "The pro-life movement is the humanitarian movement of our time." The police estimated the crowd at 200,000, but the organizers said the crowd was more than three times that size.

On Friday, the Connecticut Senate approved a bill that would insure a right to obtain an abortion in the state even if the U.S. Supreme Court strikes down the Roe v. Wade decision, which has dictated national abertion law since 1973. Under the bill, which has been approved by the Connecticut House and which Governor William A. O'Neill has pledged to sign, Connecticut would become the first state to make abortion a legal right rather than outlining conditions under which it is permitted.

# Anti-Iliescu Protests In 4 Romania Cities

*Compiled by Our Staff From Dispatches*

TIMISOARA, Romania — Thousands of protesters staged anti-government rallies in at least four Romanian cities on Sunday to demand the removal of the interim president, Ion Iliescu.

About 15,000 people in the western city of Timisoara, birthplace of the December uprising that drove Nicolae Ceausescu from power, denounced Mr. Iliescu and the ruling National Salvation Front as neo-Communists.

In Bucharest, an anti-government protest in University Square went into its eighth day with up to 10,000 people taking part. Protesters vowed to continue their vigil until the May 20 elections. They waved banners proclaiming the square a "Neo-Communism-Free Zone."

A speaker at the rally in Bucharest, Stelian Tanase of the Group for Social Dialogue, said of the government, "They are offering us Communism in a sweet box." He added that they wanted sweeping changes, not *perestroika*, or Soviet-style change.

A government spokesman described the Bucharest protest as a "demonstration of the extreme right."

Protests have swelled in the last week ahead of the country's first free elections for more than half a century on May 20, in which Mr. Iliescu is running for president as the candidate of the National Salvation Front.

In Timisoara, protesters packed the ornate Opera Square in the shadow of a cathedral chanting "Down with Iliescu!"

If the Communist Party establishment held on to power, "then there was no revolution in Romania," said George Serban, a leader of Timisoara's main opposition group, speaking to a cheering crowd. "Then it was merely a popular revolt followed by a coup."

The crowd waved banners saying "We Don't Want Communism With a Human Face" and "The NSF Is an Offspring of Communism."

Opera Square, where flowers and crosses commemorate scores of people killed in December, was filled with the amplified sounds of revolutionary chants recorded during the uprising.

Mr. Serban is vice president of the National Alliance for the Timisoara Proclamation, which comprises the city's main opposition groups. The alliance demands that former Communist officials be banned from running for public office for three electoral terms.

Opponents of the National Salvation Front accuse it of harboring former Communists and of wanting to introduce a new type of communism in Romania. Front leaders reject the charges.

At Constanta, Romania's main Black Sea port, thousands of anti-government protesters and Front supporters shouted insults at one another.

In the Transylvanian town of Cluj, rival protests confronted each other, but there were no reports of violence.

*(Reuters, AP)*

Srdjan Ilic/The Associated Press

Romanian protesters in Timisoara on Sunday shouting anti-Communist and anti-Iliescu slogans

# Shuttle Lands, but Telescope Is Acting Up

*Compiled by Our Staff From Dispatches*

EDWARDS AIR FORCE BASE, California — The space shuttle Discovery landed safely here on Sunday, but scientists said the Hubble Space Telescope it deployed during its mission will probably never work with 100 percent efficiency.

Jean Olivier, deputy project manager for the telescope, said that he was optimistic that partial use of a malfunctioning antenna could be regained, but that he doubted it would ever be fully effective.

This would limit the activities of the Hubble, "but it's not as though you would cut the effectiveness of the space telescope in half," Mr. Olivier said.

The landing of Discovery on a concrete runway at Edwards Air Force Base was flawless. It used high-efficiency carbon brakes for the first time. Within minutes of the landing, the National Aeronautics and Space Administration announced that landings for some missions "in the not-too-distant future" would be at Kennedy Space Center in Florida. The shuttle is launched from there.

William Lenoir, NASA's associate administrator for space flight, said that the plan was for 40 percent of shuttle landings to take place eventually at Kennedy.

Mr. Olivier said at a news conference at the Goddard Space Flight Center in Maryland that the problem with the Hubble involved one of the telescope's two high-gain antennas, parabolic dishes mounted on masts extending from each side of the 12-ton telescope. The antennas are needed to transmit data from the telescope to astronomers on the ground.

The antennas were designed to swivel on computer command to lock onto and track a NASA data-relay satellite, maintaining a crucial link between ground controllers and the satellite regardless of its orbital position.

But when ground controllers tried to point one of the antennas at the relay satellite, a motor showed signs of strain, indicating the antenna was stuck. Mr. Olivier believes that one of many cables near the antenna may be catching a counterweight on the antenna.

Engineers managed on Sunday to get the satellite to beam down stored data about the antenna's motion by using one of the observatory's low-gain antennas, even though they are designed only to receive commands.

"At the worst we can operate it with one," Mr. Olivier said. "It's not something we would want to do, but it would still be effective."

As many as 75 engineers are working at Goddard, the Marshall Space Flight Center in Huntsville, Alabama, Lockheed Missiles & Space Co. in Sunnyvale, California, and elsewhere, to try to solve the problem.

Engineers are optimistic they will be able to regain use of the antenna, although the best they can hope for is movement through a large though limited range. Even so, Mr. Olivier said it was hoped that the telescope would have more than 75 percent of its planned capability.

In any case, the Hubble will not be able to contact the relay satellite as often as originally planned, limiting the amount of scientific data that can be beamed to Earth as it is gathered.

Instead, the telescope will store information on the satellite's tape recorders longer, and will transmit the data less frequently to scientists on Earth. The other alternative, he said, would be to put the information on on-board tape recorders which would transmit it to Earth via low-gain antennae.

Despite the setbacks, Mr. Olivier said the first pictures from the Hubble were expected in a week.

*(Reuters, AP)*

# Pilot Error Detailed in India Crash

By Barbara Crossette
*New York Times Service*

NEW DELHI — Contradicting assertions by government officials that mechanical failure was to blame, a report on the crash of a new Airbus A-320 in Bangalore in February details a series of apparently fatal errors by the pilot and co-pilot in the final minutes of the flight.

The Indian Airlines plane went down short of the runway under clear skies and in otherwise perfect landing conditions. Ninety-three people died as a result of the crash.

The report on the crash, intended as a confidential paper to be submitted to a court of inquiry that opens hearings this week, was obtained by an Indian news agency and newspapers in New Delhi.

In the report, Satindra Singh, the inspector of accidents for the Indian Civil Aviation Authority, said the pilot and the co-pilot did not select a "go around" altitude of 6,000 feet (1,825 meters), normal in approach to landings.

The report said they then punched into their instruments an altitude lower that the actual altitude of the plane, and compounded their mistakes by not disengaging one of the manual flight directors that override the plane's advanced computerized systems.

According to data gathered from the cockpit voice recorder and digital flight recorder, the pilot or the co-pilot tried in the last few seconds of the flight to put the plane into a "take off and go around" position.

But the engines, which were virtually idling, did not get the three seconds needed to accelerate, the report said, and the plane touched down short of the runway, bounced, sheared off its engines and crashed in flames.

Airbus Industrie, the European consortium that manufactures the A-320, has rejected the Indian assertions that the aircraft or its American-made Pratt & Whitney engines were faulty. Indian officials, however, barred the company's experts from most of the investigation of the crash.

Indian Airlines, the government-owned domestic carrier, grounded all its A-320s after the accident. Government agencies are divided over when and under what conditions the planes should be allowed to resume service.

# TRAVEL UPDATE

**Air Tanzania has suspended night flights** because of broken lights at airports serving Dodoma, Kilimanjaro, Tanga, Mwanza, Mtwara, Zanzibar and Pemba, the Sunday News of Dar es Salaam reported. The paper said no money was available for repairs. *(Reuters)*

### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

**MONDAY:** Czechoslovakia, Israel, Japan, Netherlands.

**TUESDAY:** Afghanistan, Albania, Algeria, Andorra, Angola, Argentina, Austria, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Brazil, Bulgaria, Burkina Faso, Burma, Burundi, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Congo, Costa Rica, Cuba, Czechoslovakia, Djibouti, Dominican Republic, East Germany, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Finland, France, Gabon, Gambia, Gibraltar, Greece, Grenada, Guatemala, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, Iraq, Italy, Ivory Coast, Jordan, Kenya, Lebanon, Liechtenstein, Luxembourg, Macao, Malaysia, Mali, Malta, Mauritania, Mexico, Monaco, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Niger, Nigeria, North Yemen, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Rwanda, San Marino, Senegal, Singapore, Somalia, South Yemen, Soviet Union, Spain, Sri Lanka, Suriname, Sweden, Syria, Tanzania, Thailand, Tunisia, Uganda, Uruguay, Vatican City, Venezuela, West Germany, Yugoslavia, Zaire, Zambia, Zimbabwe.

**WEDNESDAY:** Bhutan, Bulgaria, Romania, South Korea, Soviet Union, Yugoslavia.

**THURSDAY:** Japan.

**FRIDAY:** Japan.

**SATURDAY:** Japan, Mexico, South Korea.

**SUNDAY:** Liberia, Syria.

*Source: Morgan Guaranty Trust Co., Reuters*

# ANC and Communists Say Militancy Brought Talks

*The Associated Press*

CAPE TOWN — Leaders of the exiled African National Congress and the Communist Party said Sunday that their fighters had done more than President Frederik W. de Klerk to bring about dialogue with blacks.

Joe Slovo, a white who is the leader of the South African Communist Party and a member of the ANC leadership, and other ANC leaders who returned to South Africa for the first time in nearly 30 years addressed a mostly black crowd of 30,000 in a stadium here.

They said they would demand redistribution of wealth and majority rule when they eventually negotiate with the white government.

"It is you, the youth, the young lions who have and are still prepared to struggle in the face of death, who refuse to bow down before race domination, who made it happen," Mr. Slovo said.

"There can't be any doubt that because we spoke with an AK-47 that dialogue is in the air," said Mr. Slovo, a former commander of the ANC's military wing, which was founded by Nelson Mandela in 1961.

An ANC delegation, led by Mr. Mandela, is to meet Mr. de Klerk and members of his cabinet in preliminary talks Wednesday through Friday to clear away obstacles to negotiations on a new constitution. The ANC says the obstacles include political prisoners, the national state of emergency and laws that allow the police to detain people without charge.

Mr. Mandela told the crowd that the government had objected to Mr. Slovo's inclusion in the ANC delegation.

"They said it would be difficult to explain to their white constituency that they were discussing with a Communist," he said.

He said he had risked his reputation by stating that Mr. de Klerk was a man of integrity, and he thought the government officials should risk their reputation by saying that Mr. Slovo "is a true son of South Africa."

Mr. Mandela said the subject of Communists in the ANC delegations was closed. "We are going to do nothing to betray those who have stood loyally by us for so many years," he said. About half of the ANC's executive committee are Communists.

# Bella Spewack, Broadway Writer, Is Dead at 91

*Compiled by Our Staff From Dispatches*

NEW YORK — Bella Spewack, 91, co-author with her late husband, Samuel, of the smash Cole Porter musical "Kiss Me, Kate," died Friday in New York. She was also the inventor of Girl Scout cookies.

Mrs. Spewack's husband died in 1971. They wrote the books for a string of Broadway musicals from the 1930s to the 1950s, including "Clear All Wires" (1932), "Spring Song," (1934), "Boy Meets Girl" (1935), "Leave It to Me" (1938), "Two Blind Mice" and "Kiss Me, Kate" (both 1949) and "My Three Angels" (1953). Many became films.

She was born in Romania and brought to the United States as an infant, where she grew up in New York. She started her professional life as a newspaper reporter.

She invented the Girl Scout cookies while working as a press agent in New York, after turning down a job as editor of the women's pages for a major daily. "I resented it," she said. "Women can read the whole paper."

"I wrote under five names," she said in 1974. "One was Bella Cohen, the name my mother gave me. There was no father. As a book reviewer I was Bellacy; I thought that sounded good."

*(NYT, AP)*


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# WEATHER

| EUROPE | HIGH C | HIGH F | LOW C | LOW F | |
|---|---|---|---|---|---|
| Amsterdam | 16 | 61 | 8 | 46 | c |
| Athens | 34 | 93 | 14 | 57 | s |
| Barcelona | 28 | 82 | 14 | 57 | s |
| Belgrade | 21 | 70 | 12 | 54 | sh |
| Berlin | 12 | 54 | 7 | 45 | c |
| Brussels | 15 | 59 | 6 | 43 | c |
| Budapest | 19 | 66 | 8 | 46 | c |
| Copenhagen | 14 | 57 | 5 | 41 | c |
| Costa Del Sol | 29 | 84 | 14 | 57 | s |
| Dublin | 15 | 59 | 12 | 54 | sh |
| Edinburgh | 14 | 57 | 10 | 50 | sh |
| Faro | 26 | 79 | 16 | 61 | s |
| Florence | 22 | 72 | 10 | 50 | s |
| Frankfurt | 16 | 61 | 8 | 46 | c |
| Geneva | 18 | 64 | 8 | 46 | s |
| Helsinki | 9 | 48 | 3 | 37 | c |
| Las Palmas | 23 | 73 | 15 | 59 | s |
| Lisbon | 23 | 73 | 13 | 55 | s |
| London | 17 | 63 | 6 | 43 | sh |
| Luxembourg | 17 | 63 | 8 | 46 | c |
| Madrid | 29 | 84 | 11 | 52 | s |
| Milan | 19 | 66 | 9 | 48 | s |
| Moscow | 15 | 59 | 5 | 41 | s |
| Munich | 15 | 59 | 6 | 43 | s |
| Nice | 23 | 73 | 11 | 52 | s |
| Oslo | 14 | 57 | 6 | 43 | c |
| Paris | 19 | 66 | 8 | 46 | s |
| Prague | 17 | 63 | 4 | 39 | c |
| Reykjavik | 7 | 45 | 1 | 34 | sn |
| Rome | 28 | 82 | 14 | 57 | s |
| Stockholm | 13 | 55 | 4 | 39 | s |
| Strasbourg | 18 | 64 | 4 | 39 | s |
| Venice | 20 | 68 | 11 | 52 | s |
| Vienna | 18 | 64 | 6 | 43 | c |
| Warsaw | 12 | 54 | 2 | 36 | c |
| Zurich | 17 | 63 | 4 | 39 | s |
| **MIDDLE EAST** | | | | | |
| Amman | — | — | — | — | — |
| Cairo | 37 | 81 | 15 | 59 | s |
| Istanbul | — | — | — | — | — |
| Jerusalem | 31 | 70 | 11 | 52 | s |
| Tel Aviv | 25 | 77 | 13 | 55 | s |
| **OCEANIA** | | | | | |
| Auckland | — | — | — | — | — |
| Sydney | 23 | 73 | 12 | 54 | s |

| ASIA | HIGH C | HIGH F | LOW C | LOW F | |
|---|---|---|---|---|---|
| Bangkok | 33 | 91 | 25 | 77 | t |
| Beijing | 25 | 77 | 9 | 48 | s |
| Hong Kong | 27 | 81 | 21 | 70 | sh |
| Manila | 33 | 91 | 25 | 77 | t |
| New Delhi | 37 | 99 | 23 | 73 | s |
| Seoul | 23 | 73 | 12 | 54 | s |
| Shanghai | 22 | 72 | 14 | 57 | s |
| Singapore | 31 | 88 | 24 | 75 | t |
| Taipei | 29 | 84 | 22 | 72 | t |
| Tokyo | 22 | 72 | 14 | 57 | s |
| **AFRICA** | | | | | |
| Algiers | 25 | 77 | 15 | 59 | c |
| Cape Town | 17 | 63 | 14 | 57 | sh |
| Casablanca | 19 | 66 | 14 | 57 | c |
| Harare | 28 | 82 | 16 | 61 | t |
| Lagos | 32 | 90 | 23 | 73 | t |
| Nairobi | 25 | 77 | 15 | 59 | t |
| Tunis | 22 | 72 | 13 | 55 | s |
| **LATIN AMERICA** | | | | | |
| Buenos Aires | — | — | — | — | — |
| Lima | — | — | — | — | — |
| Mexico City | 22 | 72 | 12 | 54 | t |
| Rio de Janeiro | 32 | 90 | 24 | 75 | t |
| **NORTH AMERICA** | | | | | |
| Anchorage | 10 | 50 | 1 | 34 | sn |
| Atlanta | 22 | 72 | 11 | 52 | t |
| Boston | 16 | 61 | 7 | 45 | sh |
| Chicago | 17 | 63 | 9 | 48 | t |
| Denver | 17 | 63 | 2 | 36 | t |
| Detroit | 18 | 64 | 9 | 48 | t |
| Honolulu | 29 | 84 | 22 | 72 | t |
| Houston | 27 | 81 | 17 | 63 | t |
| Los Angeles | 21 | 70 | 14 | 57 | t |
| Miami | 28 | 82 | 22 | 72 | t |
| Minneapolis | 15 | 59 | 2 | 36 | t |
| Montreal | 13 | 55 | 3 | 37 | sh |
| Nassau | 29 | 84 | 22 | 72 | t |
| New York | 17 | 63 | 12 | 54 | t |
| Phoenix | 32 | 90 | 19 | 66 | t |
| San Francisco | 17 | 63 | 9 | 48 | t |
| Seattle | 14 | 57 | 6 | 43 | sh |
| Toronto | 13 | 55 | 3 | 37 | sh |
| Washington | 24 | 75 | 13 | 55 | t |

c-cloudy; f-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Fair. Temp. 20 — 4 (68 — 39). LONDON: Fair. Temp. 22 — 7 (72 — 45). MADRID: Fair. Temp. 28 — 6 (82 — 43). MILAN: Partly cloudy. Temp. 20 — 12 (68 — 54). PARIS: Fair. Temp. 21 — 7 (70 — 45). ROME: Fair. Temp. 28 — 7 (68 — 45). TEL AVIV: Not available. ZURICH: Fair. Temp. 20 — 3 (68 — 37). BANGKOK: Showers. Temp. 36 — 25 (97 — 77). HONG KONG: Cloudy. Temp. 33 — 27 (91 — 70). MANILA: Fair. Temp. 37 — 24 (99 — 75). SEOUL: Foggy. Temp. 22 — 7 (72 — 45). SINGAPORE: Showers. Temp. 33 — 23 (91 — 77). TOKYO: Fair. Temp. 21 — 7 (70 — 54).

# In New Mohawk War, It's AK-47s and Uzis And All Bets Are Off

By William Claiborne
*Washington Post Service*

CORNWALL, Ontario — The St. Regis Indian Reservation, which straddles the U.S.-Canadian border along the St. Lawrence River, has become a virtual war zone.

A long-simmering tribal feud over gambling casinos has escalated into battles at heavily armed roadblocks.

Every night, the sound of AK-47 rifle fire — and occasionally of hand grenades — reverberates through the 14,000-acre (5,000-hectare) reservation while New York state and Canadian provincial police stand at a safe distance warning motorists not to venture into St. Regis.

Only three people have been wounded in the battles, which began to step up on Tuesday night. Then, a faction of the Akwesasne Mohawks that supports the presence of six casinos on the U.S. side of the reservation assaulted and captured two roadblocks erected March 23 by an anti-gambling faction.

The casinos have been declared illegal by the federal government.

The roadblock battle followed a night of heavy fighting and a grenade attack on the Mohawk police station on the Canadian side, during which hundreds of AK-47 rounds were poured into the building.

Dozens of cars have been burned or riddled by bullets during the attacks on roadblocks, and an Indian college building was heavily damaged in a firebomb attack earlier this week.

"It's a community in turmoil," said a New York State Police lieutenant, Al F. Crary, whose troopers warn motorists on the U.S. side of the border bridge over the St. Lawrence. "It's open warfare, and it's just a miracle that nobody has been killed yet."

Neither the state troopers nor the Canadian police have tried to intervene because of longstanding sovereignty agreements with the 9,500 Indians and because they say it might provoke more fighting.

"If we responded, we probably would be the catalyst that would make things really erupt and probably end up taking lives," Lieutenant Crary said.

The police withdrew from St. Regis in July when confronted by armed men of the Akwesasne Warriors Society after a raid on the gambling casinos by the state police and the FBI.

The casinos started as bingo parlors in 1984, with the profits ostensibly going into tribal welfare programs. But they evolved into full-scale gambling halls with slot machines and poker tables, and many Mohawks complain that the profits from the gamblers, who come mostly from off the reservation, are going to outside financial backers.

The Warriors, armed with assault rifles and Israeli-made Uzi submachine guns apparently purchased in the United States, took control of the U.S. sector of the reservation to protect the casinos. That prompted the anti-gambling faction to set up roadblocks in March to prevent gamblers from reaching the casinos.

But the dispute reaches deeper than gambling rights or claims by the Canadian Mohawks that the casinos are controlled by American organized crime and are used as a cover for smuggling.

It pits followers of traditional tribal leaders who trace their authority to the mid-18th century, before there was an international border, and Indians whose loyalty is to the inheritors of trusteeships granted to the Mohawks much later by the U.S. side.

Ryan Remiorz/The Associated Press

**A Mohawk manning a roadblock on the Canadian side.**

# French-German Step Had Bush Backing

By David Hoffman and Ann Devroy
*Washington Post Service*

WASHINGTON — The Bush administration privately encouraged France and Germany to urge Lithuania to suspend its bid for independence but stopped short of publicly endorsing the French-German initiative to avoid domestic political problems, according to officials.

President George Bush and Secretary of State James A. Baker 3d have recently had a series of meetings and phone conversations about Lithuania with the French president, François Mitterrand, the West German chancellor, Helmut Kohl, and the Soviet foreign minister, Eduard A. Shevardnadze, the officials said.

Mr. Bush and Mr. Mitterrand met in Key Largo, Florida, seven days before the joint statement on Thursday by France and Germany and had a long private discussion on Lithuania and the Western response.

On Thursday, a White House official had said the administration had "no advance knowledge and no advance involvement" in the Mitterrand-Kohl effort. But on Friday, officials modified this statement, saying that although the timing and precise nature of the proposal by Mr. Mitterrand and Mr. Kohl was "a surprise," the overall thrust of the effort was endorsed by Mr. Bush and Mr. Baker.

Both have made clear their desire for a resolution of the Lithuania crisis that would lead to negotiations. Mr. Bush has privately expressed impatience with the Lithuanian leadership, which he feels is moving too far, too fast and creating a confrontation with the Soviet president, Mikhail S. Gorbachev, officials said.

In their joint appeal, Mr. Mitterrand and Mr. Kohl asked Lithuania to suspend its bid for independence to facilitate negotiations with Moscow.

Lithuania and Moscow seemed to be moving Sunday toward compromise after the Kremlin said it would accept a freeze instead of a renunciation of the declaration of independence. The Lithuanian president, Vytautas Landsbergis, welcomed the proposal.

The action followed Mr. Bush's decision Monday not to impose economic sanctions against the Soviet Union for its economic blockade of Lithuania.

A second administration official said the French-German move had been encouraged by the United States as one that would "fall within our definition of finding a mechanism to create a process" of negotiation between Vilnius and Moscow.

A State Department spokesman, Richard A. Boucher, said the letter by Mr. Mitterrand and Mr. Kohl "represents their effort to defuse the situation."

He added: "We didn't sign the letter. It's their idea on how to get a dialogue, and we support anything that could lead toward that end."

Mr. Boucher said that both sides needed to find a way to get to dialogue.

Officials said Mr. Bush wanted to avoid being too closely identified with the Mitterrand-Kohl proposal because it contains an explicit call for a suspension of the independence drive. An explicit Bush endorsement could stir a domestic political backlash, officials said.

The second administration official said the letter had come at "a very politically sensitive time in which we feel we have a certain reprieve from Congress but not a very long one."

He said that having decided against sanctions and with the U.S.-Soviet trade agreement all but announced in Paris, "the last thing we need is to look like we're asking Lithuania to give up its independence."

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# When $1.2 Million Doesn't Save a Life

By Milt Freudenheim
*New York Times Service*

PITTSBURGH — In a dramatic ustration of the way rapid adtices in medical care in the Unit- l States sometimes collide with e will to pay for them, an employis objecting to a $1.25 million bill r a worker's spouse who became ie first person to receive a new eart, liver and kidney in the same peration.

The patient, Cindy Martin, 26, as a former executive secretary om Archbald, Pennsylvania. She ed March 26 after almost four onths in intensive care at Presbyrian University Hospital here.

"They tried to make her life bet-r," said her husband, John. "But e suffered for four months in the ospital, and nothing was really ccomplished."

Mrs. Martin was covered under e health insurance of her hus-and, an engineer at Loral Corp., a ilitary contractor.

Loral has repeatedly declined to omment on the case, and the in-rance company that administers

**'She suffered for four months in the hospital, and nothing was really accomplished.'**
**John Martin, transplant patient's husband.**

e company health plan would say nly that payment was being witheld because it was not satisfied ith the billing information prooded by the hospital.

But physicians, benefits consulnts and ethicists say a growing umber of challenges to medical ills are part of a revolt by employrs against soaring health care exenses that erode their profitabili-, competitiveness and ability to ise wages.

They say employers are increasgly asking whether they are overaying for medical care, and even uestioning whether in some cases e enormous cost of an operation ight outweigh the benefits when e chances of prolonging a life em small.

Most experts agree that taking eroic measures with little thought costs is the American way of elivering health care, at least for ose with comprehensive insurnce.

Economists estimate that adnces in high-technology medine contributed at least one-fifth the 10.1 percent growth last year spending on health care in the nited States, costs that the U.S. ommerce Department says will ceed $660 billion in 1990.

In 1980, such spending came to 48 billion.

The issue is only expanding, hat with expensive advances that clude transplants not only of orns but also of bone marrow, the pply of which is virtually unlimed, in contrast to organs. Other stly advances include heart byss operations, computerized diagnostic scans and genetically engiered drugs.

Although heroic medical efforts e well intended, some experts say ey wonder whether, in cases here the chances of success are nall, the money might better be ed in ways those would benefit ore people. Among the alternaves that might be funded are preative health measures like vaccitions and prenatal care, and eaning up the environment.

Indeed, some countries like Britain and Canada and states like Oregon are trying to give priority to primary care.

Arthur L. Caplan, who heads the Center for Biomedical Ethics at the University of Minnesota, suggests "a government commission, which can come up with policies and guidelines that would govern experimental and innovative medical interventions."

But Gail R. Wilensky, an economist who is head of the U.S. Health Care Financing Administration, said it would be "very difficult, if not impossible, for this country to try to set up rules about who should not be able to have the use of medically beneficial technologies."

The case of Cindy Martin encapsulates the difficulty of deciding not to go ahead with an attempt to save a life, even an extremely costly effort.

Mrs. Martin, who came from a family plagued by early deaths associated with heart disease, had already undergone a heart transplant in October 1985 at the hospital, a unit of the University of Pittsburgh's medical center.

That procedure, which usually costs about $150,000 with follow-up care, was covered by her employer, McKinney Products Co., a Scranton hardware maker.

Her doctors said that her heart was weakening and that a drug that transplant patients must take was destroying her liver and kidneys.

"She was a patient dying with three organs failing," said Dr. Thomas Starzl, a prominent transplant surgeon. He said the hospital had a commitment to Mrs. Martin in part because it provided her first transplant.

The hospital said after the operation in December 1989 that Mrs. Martin might live 5 to 10 years. But surgeons acknowledge that even in a single-organ transplant, there is a 15 to 25 percent chance of death within months. If the operation fails and is repeated, the odds against the patient rise.

The Pittsburgh transplant doctors said they did not concern themselves with who would pay or how much, pulling back only in hopeless cases.

After the 21-hour operation to transplant three organs in early December, Mrs. Martin underwent surgery seven more times, her husband said. Eventually, she contracted hepatitis.

Dr. Starzl said the doctors then considered providing yet another liver. He rejected the idea, and Mrs. Martin agreed, as did her family. Her death was attributed to infections that often follow transplants.

At least 36 people worked on her during the operation in December: 11 surgeons, 6 anesthesiologists, 15 nurses, a physician's assistant, 2 blood technicians and a liver technician.

There were also charges for the seven surgical procedures and 113 days in the intensive-care unit as the doctors struggled to save her.

John W. Paul, a vice president with the medical center, said the hospital had received approval from Loral's insurance administrator, Cigna Corp., before proceeding with the treatment.

Although Loral would not comment on its costs, the $1 million bill could by itself raise the annual health-care bill by 3 to 5 percent for a company of its size, 12,000 employees.

Mr. Martin, 31, who spent three years helping to care for his wife, is in theory responsible for about $250,000 of the bill, since there is a $1 million limit in Loral's employee health plan.

The hospital said it would "take a very realistic look" at his ability to pay.

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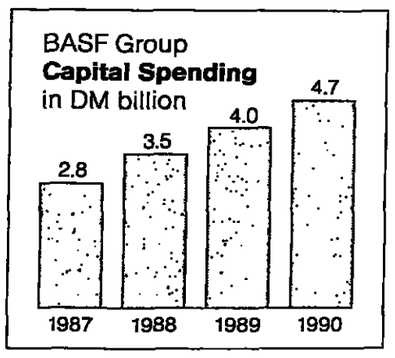


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**The Blue-Chip Innovators**

BASF

Michelle Frankfurter-Reuters

A money changer looking for business after the córdoba was devalued waved a stack of the currency at a motorist in Managua.

# In Nicaragua, Eye to Eye Without a Shot

By Lee Hockstader
*Washington Post Service*

SAN RAFAEL DEL NORTE, Nicaragua — The contras came down the main street, marching in a long, solemn single file past the old Texaco filling station and under the pharmacy's Alka Seltzer sign.

They walked in silence broken only by the crunch of their boots on the dry dirt street, as Sandinista troops stood by watching from the sidewalks and corners, some of them close enough to touch. Both sides' troops were heavily armed with assault rifles and rocket-propelled grenades, but not a shot was fired.

Hundreds of townspeople crowded their doorways to gawk in disbelief. To many of them, the sight of the rebels' orderly retreat and of the Sandinistas overseeing the event without rancor could mean only one thing: Nicaragua's civil war was finally over.

"It's a pretty sight," said Francisco Herrera, 42, a farmer who stood watching from the sidewalk. "It's hard to believe your eyes."

Of all the dramatic images of change in Nicaragua last week perhaps none was as electrifying as the two armies brushing shoulders here Thursday and Friday.

More than 600 rebels, many of whom had not set foot in a city or town for years, came down from the mountains to pass through San Rafael del Norte on their way to Security Zone No. 1, a 500-square-kilometer (200-square-mile) area of northern Nicaragua supervised by United Nations troops and observers.

All over Nicaragua, thousands of rebels, known as contras, made their way into seven such enclaves across the country. Although there was one skirmish reported and a few other minor incidents, the process impressed diplomats and UN observers for its general orderliness.

Nearly everywhere, it seemed, Sandinista troops had withdrawn as agreed, not only from the security zones but from 12-mile-wide buffer bands around them.

In the newspapers and on the radio and television, there was no letup in the ferocious rhetoric surrounding President Violeta Barrios de Chamorro's widely unpopular decision to retain General Humberto Ortega Saavedra as the armed forces chief of staff. Contra leaders vowed never to lay down their weapons unless General Ortega, the brother of former President Daniel Ortega Saavedra, was dismissed. Politicians of Mrs. Chamorro's own coalition warned of renewed civil war.

But the oratory seemed distant in the countryside, where the Sandinista and contra armies were working together as never before.

The Sandinistas transported the contras to the edge of town in large, Soviet-made trucks, unloading them on the outskirts so that, as one Sandinista major explained it, "the image" of two armies at war would not be dashed by the spectacle of contras riding through town in Sandinista trucks.

In the town of San Sebastián de Yali, in a buffer area just outside Security Zone No. 1, a Sandinista officer and a contra commander stood side by side on the main plaza's church steps. About 200 people crowded around to hear them declare in speeches that the war was over.

Although they have cooperated by gathering in the security zones, the rebels have not yet handed over their weapons to UN troops. Some of the contras were seen carrying heat-seeking Redeye anti-aircraft missiles. Disarmament, while voluntary, is scheduled to be completed by June 10.

In Managua, it seemed unlikely that the government was about to fall despite Mrs. Chamorro's troubles with Mr. Ortega and the contras.

"She's treading a very narrow path between her own radicals on the right and the Sandinista Front radicals on the left," said a Latin American diplomat. "The ones in Doña Violeta's camp have to realize that they have to manage together with the front."

But some 250 kilometers to the north, in Security Zone No. 1, a Canadian officer in the UN observer group was more sanguine about the chances for peace. "I think the whole thing is going pretty smoothly for a bunch of people who've been fighting up in the mountains for 10 years," he said. "There's a big change happening here."

### ■ Recovery Plan Introduced

The Chamorro government has introduced a capitalist-style economic recovery plan designed to curb inflation by cutting the value of Nicaragua's currency in half against the dollar, United Press International reported from Managua.

The annual inflation rate in Nicaragua was 33,000 percent in 1988. In 1989 it dropped to 1,700 percent.

Francisco Mayorga Balladares, the president of the Central Bank of Nicaragua and Mrs. Chamorro's chief economic planner, promised that inflation, which had risen again recently, would slow by June, and that once a new currency was introduced in July, the high inflation would be gone.

Mr. Mayorga said the change in the so-called parallel-market rate to 140,000 Nicaraguan córdobas to the dollar, from 68,700, was part of an effort to do away with the black market and create a single value for the córdoba.

"My 100-day plan consists of laying down the measures to transform the economy from a centralized state system to a free-market economy," Mr. Mayorga said. "We are trying to reinstate free enterprise by lifting the controls."

# Iran-Contra Panel Hid Diversion to Israel

*The Associated Press*

WASHINGTON — Congressional investigators of the Iran-contra affair discovered but kept secret a diversion of more than $1 million to Israeli intelligence from the Reagan administration's sale of arms to Iran, The New York Times Magazine reported Sunday.

The magazine, in an article by Seymour Hersh, also reported that senators had decided before the Iran-contra hearings that they would not "go after" President Ronald Reagan. They agreed they would avoid seeking impeachment unless it seemed that Mr. Reagan had been fully aware of the diversion of money to the Nicaraguan rebels, the article said. Aid to the contras was banned by Congress.

The decisions were governed by a desire to avoid jeopardizing the release of U.S. hostages held in Lebanon and to protect the emerging strategic arms negotiations with the Soviet Union, as well as Mr. Reagan's age and immense public popularity, Mr. Hersh wrote.

According to the article, Senate and House committees learned that Richard V. Secord, a retired U.S. air force major general, and Albert Hakim, his Iranian-born business partner, who worked for Oliver L. North in the affair, had diverted profits from Iranian arms sales to the Israelis for the covert actions.

The committees obtained documents that showed four cash transfers between Mr. Hakim's Swiss bank account and an account controlled by Amiram Nir, an Israeli counterterror official, Mr. Hersh said.

These transfers were not mentioned in the panels' joint report in November 1987. The report devotes only three paragraphs to the subject and describes the efforts by code names, "TH-1, TH-2 and so on." It says Mr. North, at the time of the transfers a marine lieutenant colonel and a member of the National Security Council staff, testified that the efforts "had not progressed beyond the planning stage" and that he therefore had not sought presidential authorization.

But, Mr. Hersh wrote, "highly placed American intelligence officials," who were not identified by name, told him that several of the North-Nir operations did take place in 1985 and 1986. These included covert electronic monitoring of the highway between Damascus and Beirut, a series of attempts to penetrate the Shiite Amal militia and the Druze sect in Lebanon, and a continuing effort to find the terrorists suspected of blowing up the U.S. Marine barracks in Lebanon in 1983, in which 241 Marines were killed.

Mr. Hersh said that Mr. Secord acknowledged in an interview that he was aware of the payments to Mr. Nir and said of them, "This is black money — Israeli black money," a term used to describe the financing of covert operations.

The Senate committee chief counsel, Arthur Liman, is quoted by Mr. Hersh as saying that there were limits on what he could publish from the investigation. Other sources told Mr. Hersh that both House and Senate committee chairmen told Mr. Liman not to make anything public that might disrupt continuing efforts to gain the release of U.S. hostages in Lebanon.

Mr. Liman told Mr. Hersh that the question of whether the diversion to the Israelis was legal without written presidential authority was referred to the Senate and House intelligence committees.

According to one participant quoted by Mr. Hersh, at a caucus in January 1987 "the senators reached one easy consensus: 'We don't want to go after the president. He was too old.' " The witness also told Mr. Hersh that senators believed Mr. Reagan could not understand what had happened.

Mr. Hersh quotes Senator Warren B. Rudman, a New Hampshire Republican and the vice chairman of the committee, as saying, "We decided to follow the evidence" but agreed that "if there was an impeachable offense, it could only be the diversion."

## Mexico Assails Kidnapping of Doctor to U.S.

*New York Times Service*

MEXICO CITY — Mexico has denounced the kidnapping of a Mexican doctor wanted in the United States as an example of "the law of the jungle."

The Mexican attorney general has announced the arrest of six people in the case, issued warrants for seven more and said he would call on the United States to extradite any suspects there.

The doctor, Humberto Alvárez Machain, was abducted on April 2. He was later indicted by a Los Angeles grand jury on charges that he took part in the 1985 torture and killing in Mexico of Enrique Camarena Salazar, a U.S. Drug Enforcement Administration agent.

At a news briefing, the attorney general, Enrique Alvárez del Castillo, acknowledged that Mr. Alvárez "may have had contact with narcotics traffickers" and laundered money for Rafael Caro Quintero, convicted last year of Mr. Camarena's murder.

But, he said, "nothing and nobody can justify the illicit manner in which he was not only detained but kidnapped and transported to a foreign country."

# AMERICAN TOPICS

## Choosing Less Water Over More People

Santa Barbara, in the second month of some of the most severe water restrictions in California history, has gone farthest in demonstrating what life may be like if the West's four-year drought persists.

The city has been a stronghold of environmentalist, anti-growth politics for years. It has voted down hooking into a state system that would bring in more water, concerned that this in turn would bring a flood of new residents, The Washington Post reports.

Drought officers, nicknamed "water cops," ticket people for watering lawns. Few of the 77,000 residents take showers without a bucket to collect unused drops for their gardens. Water rates have been multiplied 27 times for people who use more than the maximum 10,472 gallons (about 40,000 liters) per month.

The average Santa Barbara house costs $438,900. People who have invested that much to enjoy the mild climate and lack of crowds appear more concerned about being invaded by thousands of outsiders than about discomfort.

## Short Takes

**The Bronx** is burned up at Hollywood's portrayal of it in the film "The Bonfire of the Vanities." Fernando Ferrer, the borough president, says the film "goes out of its way to denigrate the Bronx." The Warner Bros. production, now filming on location in the borough, is based on Tom Wolfe's best-seller about a Wall Street executive who becomes entangled with the police, the courts and indignant mobs after a hit-and-run accident. Mr. Ferrer's plaint recalls a similar furor over the 1981 film "Fort Apache: The Bronx." Robert Harris, Bonfire press agent, said the film crew was trying to be "as quiet and unobtrusive as possible," but conceded that "in practical terms, we are hiding an elephant in Times Square."

**Captain Will C. Rogers 3d** and Lieutenant Commander Scott E. Lustig, skipper and weapons officer of the U.S. cruiser Vincennes, which shot down an Iranian airliner with a loss of 290 lives July 3, 1988, have been awarded the Legion of Merit for their service in the Gulf. The award is the armed forces' highest peacetime citation after the Distinguished Service Medal.

**Peter Martin** of New York reports that the day after Kurt Masur was appointed head of the New York Philharmonic, a chatty subway conductor made everybody smile by remarking over the public address system as the train approached Lincoln Center, the orchestra's home, "Ladies and gentlemen, as one conductor to another I wish to congratulate Kurt Masur on his new job."

## Notes About People

**Lawton Chiles** is running for governor of Florida and says he is sick of political action committees and politicians who "dodge the issues." Two years ago, Mr. Chiles, now 60, complained of "burnout" and retired from the U.S. Senate. He is expected to defeat his Democratic rival, Representative Bill Nelson, in the Democratic primary in September. The Republican incumbent, Governor Bob Martinez, is favored to win his party's nomination. At this point the general election is a toss-up.

**Katharine Hepburn**, at 80, has signed with Knopf for a reported $3 million to write her memoirs. The tentative title is "Me."

The nickname for **Rafael Valdez**, a left-handed pitcher for the San Diego Padres is — what else? — Exxon.

## Want to Be Cowboy? Nobody Else Does

Wyoming ranchers are finding it so hard to recruit cowboys that they are hiring hands from Latin America. Georgie Le Barr is among the first ranchers to import Mexican *vaqueros*, or cowboys, to work on her spread of 400,000 acres, or about 160,000 hectares.

They get $800 a month plus room and board. For that, they deliver calves, brand, feed, water, fix fences, repair troughs and clean barns. Oralia Mercado, who runs an employment agency, said: "You're up in the high country, seven days a week, 24 hours a day, with no one else to talk to. It's a tough job. You just have to have a love for it."

Arthur Higbee


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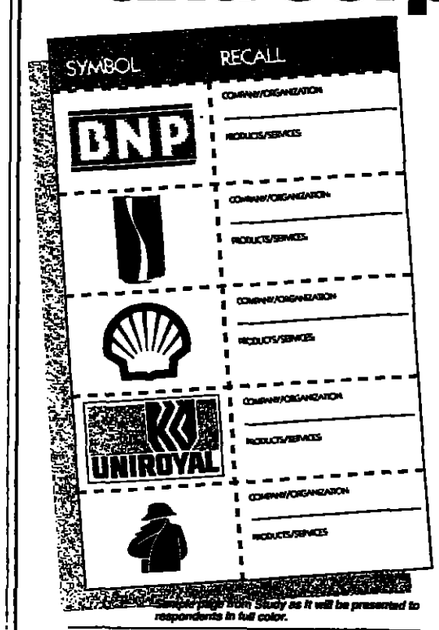


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Choo Youn Kong/Agence France-Presse

**RAID ENDS HYUNDAI STRIKE — Protesters retreating from tear gas Sunday in Ulsan, South Korea, where clashes continued after thousands of policemen stormed the Hyundai Heavy Industries Co. shipyard, ending a three-day strike. The police arrested 656 people in the raid and daylong clashes Saturday. About 1,500 students protesting the raid clashed with the police in Seoul, and workers at several Hyundai subsidiaries said they would strike on Monday in protest.**

# As the Germanys Look To NATO, Soviets Urge End to Europe Alliances

By Jim Hoagland
*Washington Post Service*

DUBLIN — Soviet alarm over a reunited Germany becoming part of NATO appears to have triggered a reassessment in the Kremlin of the future of East-West security arrangements, with Moscow renewing demands for the dismantling of military alliances in Europe.

The renewed Soviet emphasis on dissolving both the Warsaw Pact and the North Atlantic Treaty Organization surfaced Saturday in published remarks by the Soviet foreign minister, Eduard A. Shevardnadze. He said Germany should become "a testing ground" for new forms of East-West security cooperation after reunification.

Returning to an idea he floated in Washington last month, Mr. Shevardnadze said in an interview with the Irish Times that a reunited Germany should be "nonaligned" militarily. By joining both alliances for a transition period, he said, Germany could become a place where the alliances "would be gradually dissolved" and replaced by "all-European security arrangements."

The interview was published as national leaders in the European Community met in Dublin to review German reunification. Mr. Shevardnadze appealed to the EC to support a new Soviet proposal for "synchronization" of the unification process with the drawn-out search for new security arrangements to be designed and carried out by the 35-nation Conference on Security and Cooperation in Europe.

But as if in counterpoint to Mr. Shevardnadze's remarks, several EC leaders made a point Saturday of reemphasizing the need to maintain NATO and to integrate a reunited Germany into the alliance.

Spokesmen for the British prime minister, Margaret Thatcher, and the French president, François Mitterrand, said that the two leaders independently emphasized that NATO remain essential to European defense, a theme rarely taken up at EC summit meetings.

This indirect East-West dialogue reflected a hardening of positions on security questions by both sides since the East German election March 18. That vote produced an East German government committed to rapid reunification largely on West German terms.

European diplomats attending the Dublin meeting said the election result appeared to stun the Soviets and to make them realize that the reunification process had escaped their control.

The diplomats interpreted Mr. Shevardnadze's remarks as a clear sign that the Soviets have turned their energy toward extracting concessions on post-reunification security arrangements in Europe if they cannot affect the course of reunification itself.

"The Soviets must have begun to realize that they can do little to stop Germany from joining NATO if Bonn makes it a condition of unification," said a Western analyst in Dublin. "But they can work to dilute NATO so much that German membership will be meaningless. They may figure that this could be attractive to the Germans, too, ultimately."

Soviet policy has long included a rhetorical commitment to the ultimate dismantling of the two Cold War alliances. But as political change swept Eastern Europe last summer, Mr. Shevardnadze and President Mikhail S. Gorbachev began to emphasize that it would be necessary to maintain the two alliances for a long, undefined transitional period to help wind down the Cold War.

By maintaining the two alliances, Moscow also undoubtedly hoped to maintain two Germanys and some oversight of its East European satellites. But this approach was overwhelmed by the collapse of the Warsaw Pact and the Germanys' rush toward reunification.

The disappearance on March 18 of the option for two Germanys appears to have caused the Soviets to think again about the utility of alliances they have ceased to head.

Mr. Shevardnadze was quoted as saying that the present military and political structures on the European continent "were shaped not for a united Germany but for two German states belonging to different alliances."

"It would be a mistake," he added, "to destroy the existing security systems in the course of building the German unity without creating new ones to replace them."

But the praise for NATO on Saturday in the EC meeting indicated that for Britain and France the rush toward German reunity has enhanced NATO's role in West European affairs.

Diplomats suggested privately that for Western countries worried about Germany's new strength, NATO provides additional points of leverage and perhaps even control over Germany.

# GERMANY: *Moscow Adamant*

(Continued from Page 1)

idea that a united Germany could belong both to NATO and the Warsaw Pact.

Mr. Gorbachev has previously called for radical changes in the roles of both NATO and the Warsaw Pact, urging greater emphasis on political and economic missions now that European disarmament is taking place.

After his talks with Mr. Gorbachev and other Soviet officials, Mr. de Maizière said that "NATO should change its structure and strategy to discuss the issue of our membership."

"Neutrality is not a solution to the problem," he added, without discussing Mr. Shevardnadze's latest mention of a possible nonaligned status for Germany.

Mr. de Maizière said it was important to "obviate" the Eastern and Western security alliances, rather than emphasizing them by establishing neutral states. "We do not want to play the role of a buffer zone," he said.

## Genscher Is Taken Ill During Political Speech

*Reuters*

DUSSELDORF — The West German foreign minister, Hans-Dietrich Genscher, was forced to break off a political speech in Düsseldorf on Sunday after feeling ill, officials said.

The Foreign Ministry spokesman said Mr. Genscher, 63, appeared to be exhausted and denied he had had a heart attack. He suffered a mild heart attack in July 1989 and had bouts of heart trouble in 1977 and 1979.

# *In Downing U-2, Soviets Lost Plane*

*The Associated Press*

MOSCOW — The army newspaper Red Star disclosed for the first time Sunday that when the Soviets downed a U.S. spy plane 30 years ago they also destroyed one of their own fighters that was pursuing the American U-2.

The U-2, piloted by Francis Gary Powers, was shot down on May 1, 1960, disrupting a meeting 19 days later in Paris between President Dwight D. Eisenhower and Nikita S. Khrushchev and forcing the cancellation of another summit meeting planned for later that year.

Red Star said the Soviets lost a MiG-19 and its pilot in the operation.

The paper also disclosed for the first time that the Soviets sent up a new fighter plane and ordered its pilot to ram the U-2 in a suicide mission. The new fighter reached the U-2's altitude of about 21,400 meters (70,000 feet) but failed to ram it.

The article, published before May Day festivities, may have been intended to remind Soviet readers that U.S. actions have damaged superpower ties in the past. In recent days, Soviet officials have warned that relations might suffer if Washington imposes sanctions on Moscow in retaliation for its crackdown on the breakaway of Lithuanian republic.

Red Star said that Mr. Khrushchev was atop Lenin's Mausoleum in Red Square watching the May Day military parade when he learned that a new model Soviet SA-2 surface-to-air missile had brought down the U-2.

The commander of the Soviet air defense forces, Marshal Sergei Biryuz, climbed to the mausoleum "carrying happy news, that the plane had been hit by the first rocket," the article said. "And Khrushchev, standing right there on the tribune, congratulated the marshal."

Mr. Khrushchev, in memoirs smuggled to the West and published in 1974, wrote that diplomats watching the parade knew something big had happened because Marshal Biryuz wore a duty uniform rather than the parade dress worn by the other military officers in Red Square.

Soviets hurrying to the May Day parade in the city of Sverdlovsk, in the Ural Mountains, saw a far different sight, what appeared to be fireworks high in the air.

The fiery debris was a Soviet MiG that was damaged by a missile that exploded behind the U-2, Red Star said.

The Soviets had scrambled two MiGs. The pilot of one MiG, Boris Ivazyan, reported to ground control that the debris seen was actually that from an missile that had missed the U-2, prompting the ground battery to fire another, which downed a MiG flown by Sergei Safronov, 30, who died.

Mr. Powers' mission began in Pakistan and carried him over Sverdlovsk toward a planned landing in Norway.

He did not use an automatic destruction device or a poison pin that he had been given in case the mission failed, and he was captured at a collective farm near Sverdlovsk.

Mr. Powers was held by the Soviet Union until 1962, when the United States arranged for him to be exchanged for an imprisoned Soviet spy, Colonel Rudolph Abel. Mr. Powers died in August 1977 when the TV news helicopter he was piloting crashed in Encino, California.

# Cheney Expects Gorbachev to Fail

By Patrick E. Tyler
*Washington Post Service*

WASHINGTON — Defense Secretary Dick Cheney said Sunday that he believed President Mikhail S. Gorbachev would fail in his effort to restructure the Soviet economy and was likely to be replaced by someone far more hostile to the West.

In repeating a prediction he first made a year ago, which drew chastening remarks from the White House, Mr. Cheney appeared to be raising the volume of doubt among conservatives in the Bush administration about Mr. Gorbachev's future. Mr. Cheney said his attitude was fortified by the Soviet leader's recent decision to defer restructuring of the Soviet pricing system.

"It certainly deepens my pessimism about the prospects for economic reform in the Soviet Union," Mr. Cheney said. "They have to undertake major, radical transformations of their economy. I think the slide they're currently in will continue, and the situation will only get worse."

In the year since he first made his prediction, Mr. Cheney has avoided repeating it in public. President George Bush and other senior administration officials made clear that the administration's tone should be one of support and optimism for the Soviet leader's efforts to radically restructure the Soviet economy.

Mr. Cheney reformulated his public position to say that it was his job as defense secretary to guard against a reversal of the positive trends in Eastern Europe and the Soviet Union because it was impossible to predict whether a future Soviet leader might resurrect an aggressive foreign policy.

The defense secretary made his remarks while discussing the Bush administration's $306 billion request for military spending for 1991.

He was also questioned on his support for Mr. Bush's decision last week to forgo applying sanctions against Moscow for cutting off oil, gas and other supplies to Lithuania.

"It's a very, very difficult, delicate proposition," Mr. Cheney said. "We'd like to see ultimately the Lithuanians be able to enjoy their right to self-determination."

"And so far," he said, "I think the president has handled it very well."

# ISRAEL: *A Low Point in Relations With Washington*

(Continued from Page 1)

licly in the dispute between Mr. Peres and Mr. Shamir.

But State Department officials did little to conceal their delight when Mr. Peres brought down Mr. Shamir's government last month and appeared on the verge of forming a new governing coalition. Such a coalition would likely have embraced Mr. Baker's proposals.

Now that Mr. Peres's efforts to form a government lie in ruins, analysts on both sides of the Israeli political divide place some of the blame on Washington.

They say the Bush team miscalculated the political mood in Israel, misinterpreted Mr. Shamir's position and put too much pressure on the rightist prime minister to defy not only his political constituency but his own beliefs.

At best, these analysts contend, Israel will now produce another fragile government of "national unity" under Mr. Shamir, one that will remain paralyzed by deep divisions over the peace process.

At worst, Mr. Shamir will head a narrowly based government dependent for its survival on far-right extremists and religious fundamentalists that will dramatically increase Jewish settlements and crack down harder on Palestinians.

The administration is certain to face an increasingly hostile and suspicious Mr. Shamir. He believes that his worst fears about U.S. connivance with his enemies — Mr. Peres and the Palestine Liberation Organization — have been confirmed.

"Wittingly or unwittingly the Americans helped precipitate the collapse of this government," said Harry Wall, Jerusalem director of the Anti-Defamation League of B'nai B'rith and long an observer of U.S.-Israeli relations.

"But whatever government may be formed now won't be capable of giving an unambiguous answer to Baker's proposal," he said. "So they've only succeeded in putting more distance between Washington and Jerusalem and setting back the process."

**A senior Israeli official complains of daily blasts from Washington.**

Israelis have begun to compare Mr. Bush to Jimmy Carter, whose relationship to Israel as president was intimate but stormy.

One indication of this, they contend, was the recent visit by the Senate minority leader, Bob Dole of Kansas, who lashed out against Israeli settlement policies. He also likened Israel to a "spoiled child" and warned that U.S. aid very likely would be curtailed.

Mr. Dole, they believe, was speaking not only for himself but carrying a message from Mr. Bush and Mr. Baker that times could get tough if Israel does not cooperate.

It reminded some officials of the days when the Carter White House used the Senate majority leader, Robert C. Byrd of West Virginia, to send the harsh messages that Mr. Carter did not want to communicate directly.

Both sides agree that the Israelis and their American Jewish allies may have grown complacent during the warm days of Ronald Reagan and Secretary of State George P. Shultz and taken U.S. support or acquiescence for granted.

"They grew used to an America they saw as endlessly indulgent and malleable," said a long-time diplomatic observer of the Israelis. "They are unaccustomed to honest differences among friends."

Now that Mr. Peres has been defeated, Mr. Shamir's aides hope Mr. Bush and Mr. Baker will back away and turn down the heat.

"When the administration is faced with a new Shamir government, they will work with a new Shamir government," an official said. "Even though we have differences from time to time, there are deep mutual interests."

Others are not so sure. They note a permanent change in tone by the administration, whose spokesmen seldom emphasize these days the special friendship between Israel and the United States as they did during the Reagan years.

# DUBLIN: *An EC Push for Post-Cold-War Innovation*

(Continued from Page 1)

tional concessions to East Germany.

In his campaign to win EC backing, Mr. Kohl insisted on postponing the Dublin summit meeting for eight weeks, until East German elections in March accelerated the reunification outlook.

Most European leaders had failed to anticipate this pace, but they were gradually reconciled to it, thanks to unflagging reassurances about Germans' loyalty to the Community and NATO.

Now, a summit member said, European leaders believe that delay in reunification would increase the risk of economic complications because of East Germany's peculiar status as a halfway house between the West and the Soviet Union.

Scaling support for West Germany at the Dublin meeting, Mr. Kohl joined President François Mitterrand in calling for "EC political union" in conjunction with the Single Market and economic union planned for 1993.

The British prime minister, Margaret Thatcher, dissuaded the summit meeting from according outright agreement to this goal.

Although she probably managed to delay the process for only two months, while EC foreign ministers study concrete options, British officials said they were gratified by what one called "glimmmering lucidity" that tighter EC integration and new departures in the Conference on Security and Cooperation in Europe should not undercut trans-Atlantic ties.


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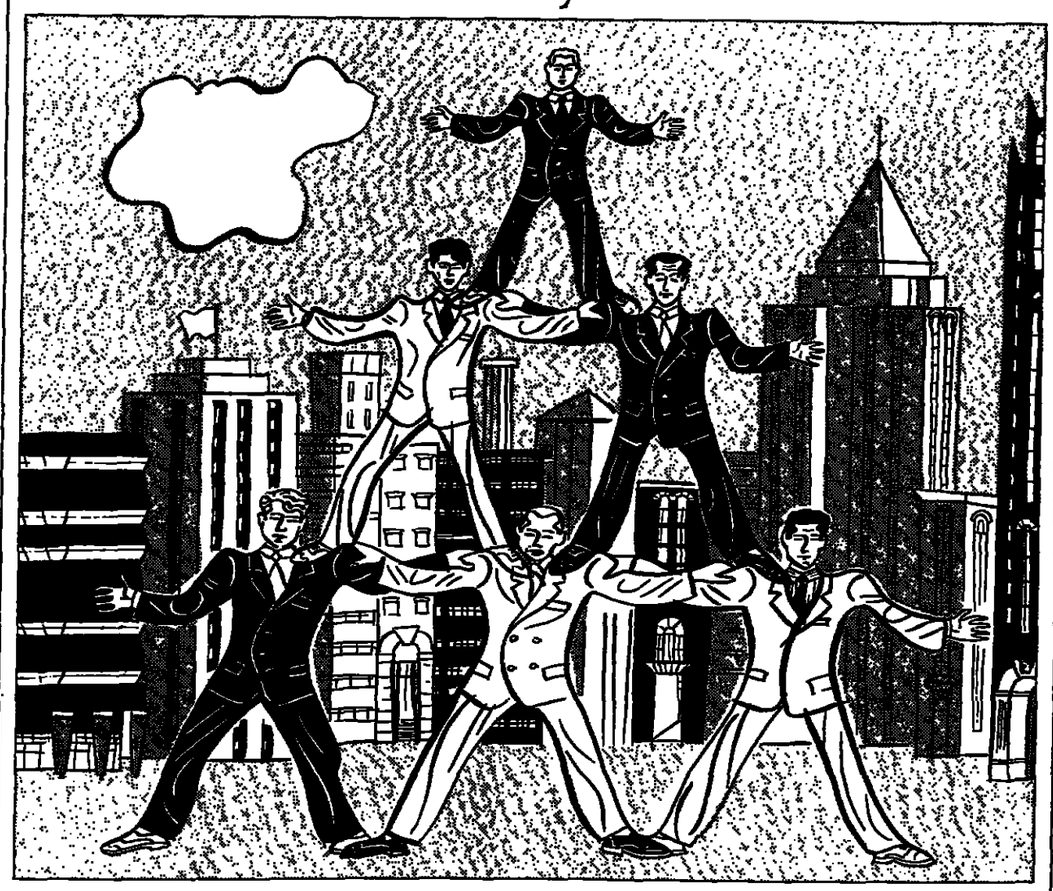

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**ACROSS**

1 Jersey and Guernsey
6 Dignified cousin of "Shucks!"
10 Sawbill
14 Oyl of comics
15 Chanteuse Horne
16 Cab
17 What equivocators don't do
19 Banshee's land
20 State firmly
21 Peeled
22 Sagacious
23 Box lightly
25 Turns over
27 Mountain mint
30 One of the three B's
32 "... who lived in ——"
33 Potato, e.g
34 Architect I. M. ——
37 Flag carriers
40 Utter
41 Slip by
42 Finch
43 Abounding in chewbarks
44 Time excess of a sort
45 Took long steps
49 Medicine portion
51 Kind of year
52 Stormed
55 Too
59 Army group
60 Kind of play by a hot-dog
62 Glasses supporter
63 Woes
64 High nest
65 Alum.
66 Nat King ——
67 Snares

**DOWN**

1 Speck
2 An Eastern European
3 Be pleased by
4 Inside-out state
5 Coral or Yellow
6 Basilica feature
7 King or Norman
8 Queen or princess
9 Pharisee opponent
10 Simmers
11 Berlin hit: 1928
12 Live
13 Napa Valley products
18 Baden-Baden, e.g.
24 Solemnly promised
26 Word groups
27 Fish or voice
28 Movie dog
29 Holmes's "one-hoss ——"
30 One of the Baers
31 Singer-dancer Lane
33 Adom
34 Paduan's pear
35 —— the Red
36 "—— It Romantic?": 1932 song
38 Having a certain hypersensitivity
39 Six-shooter
45 Tossed
46 Quartet member
47 Mrs. Gorbachev
48 Chose
49 Thick
50 Not even
53 Folk singer Guthrie
54 Chutzpah
56 Zhivago's love
57 Prune the hedges
58 Pindar's prides
61 Was in session

**Solution to Friday's Puzzle**

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| C | A | T | S | | S | I | D | E | | S | W | E | A | R |
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| F | O | R | E | C | A | S | T | S | | O | A | S | I | S |
| S | T | E | E | M | | | E | A | R | N | E | S | T | |
| | | P | R | E | P | | L | I | M | E | | | | |
| C | A | L | E | N | E | S | | R | E | D | U | C | E | |
| R | I | E | S | | C | I | T | E | D | | N | O | W | |
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| V | E | | H | A | N | K | S | | E | S | T | E | R | |
| E | S | C | U | E | | S | T | O | P | P | E | R | S | |
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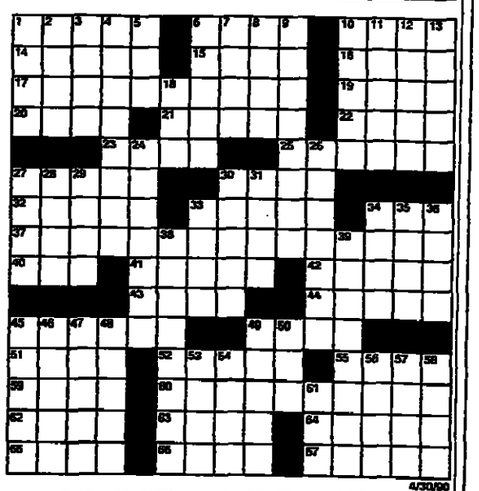

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International Herald Tribune
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# Dilemma for Gorbachev

For most of the Soviet Union's people, the standard of living is visibly falling. The economy apparently stopped growing some time in the latter 1970s, and now it has begun to decline. With the relaxation of police controls, people are able to protest against this reduction. Understandably, but unfortunately, they are protesting in ways that aggravate it. Strikes have become common, and some republics are trying to protect themselves from shortages by embargoes on shipments to their neighbors. As money buys less, people see less reason to work for it.

There have been several somber assessments of the Soviet economy in the past couple of weeks, beginning with Secretary of State James Baker's observation that perestroika so far has constituted a "grab bag of economic reforms" with not much effect on actual performance. A couple of days later a joint assessment by the CIA and the Defense Intelligence Agency warned that the Soviet economy had become unstable and could slide into a severe contraction and chaos. A group of Soviet economists visiting Washington offered the opinion that things were, in reality, worse than the CIA-DIA report acknowledged.

There is a crucial difference between the atmosphere in which economic reform goes forward in most of Eastern Europe — in Poland, for example — and that in the Soviet Union. Poland is now embarked on a drastic and costly reorganization, with broad support from a people buoyed by their liberation from Soviet domination and ready to make great sacrifices to rebuild their country. In Eastern Europe, patriotism works in behalf of reform. But not in the Soviet Union. When reformers there talk about the benefits of free markets and economic efficiency, most people's first thought is evidently that their jobs and security are in jeopardy.

Earlier this month President Mikhail Gorbachev was talking about accelerating the transition to a market economy and covering within the next year the ground originally planned for several. Perhaps he was only testing the climate, but he got a sharp reaction. During the past two weeks his tone has changed sharply. "Your cries of alarm are reaching us," he told a crowd in Sverdlovsk last Wednesday. There will be no shock therapy, he promised — that is, nothing like the Polish experiment. A sharp turn lies ahead, he said, but no major changes for six months or more — "and we will consult all of you first."

Most — not all, but most — Soviet leaders are now convinced that fundamental and sweeping economic change is essential. Without it, as one of them recently declared, their country has no future as a highly developed great power. But now these leaders are trapped in one of the great ironies of this extraordinary time. They cannot move forward until they find a way to persuade the Soviet people to trust and support them.

*— THE WASHINGTON POST.*

# Negotiation Is the Way

The decision by President George Bush to threaten only one country for maintaining "unfair" trade barriers this year will not satisfy protectionists who have their eyes on Japan. But it should minimize the backlash against America's bullying. Of the three he named last year — Japan, Brazil and India — only India was named again and, wisely, no more were added. The ideal solution would be no such listing, and repeal of the legislation that requires it. Alas, that is not on the cards. Mr. Bush has done the best he could in the circumstances.

The 1988 trade law required that the government compile a list, last year and again this year, of countries that discriminate unfairly against imports — ignoring America's own transgressions, of course. From that list, "priority" targets are designated, and the governments are then warned that the United States will slap punitive tariffs on their goods if the alleged offense continues. The high-handedness of the world's wealthiest country declaring itself the sole arbiter of fairness is widely resented, by countries not targeted as well as by those that are.

There is no near prospect of repeal, or even modification. Indeed, Lloyd Bentsen of Texas, a key figure on trade as chairman of the Senate Finance Committee, has said that failure to target anyone this year would "poison the well" for all important trade legislation. He mentioned upcoming agreements with the Soviet Union, Czechoslovakia and China, as well as the global agreement expected from the Uruguay Round negotiations.

The re-targeting of India may mollify Mr. Bentsen, but his blunderbuss had little to do with it. India was cited last year, and now again, for banning foreign insurance operations and restricting foreign investment. Since New Delhi has refused to budge on either, the Bush administration could not pretend that the Indians had earned a reprieve. India is right and wrong — right in objecting to America's self-appointed role as policeman, but wrong in maintaining a maze of barriers against foreign competition. The real test will come when the administration decides whether and how to penalize imports from India.

Meanwhile, Mr. Bush has made the right moves, first in agreeing with his trade representative, Carla Hills, that Japan should not be cited again. The Japanese have made numerous concessions to U.S. demands in the past year. Protectionists wanted to keep the heat on with another citation. But that would have devastated the Kaifu government's good efforts to root out restrictions, and would surely discourage further concessions. Mr. Bush was also smart not to proclaim any new targets; to do so would only antagonize all of America's trading partners at the very time when Washington seeks their agreement on worldwide trade liberalization in the Uruguay Round.

Protectionists in Congress will not be happy with anything less than constant harassment, and they probably will not be fully satisfied until America gets Rockefeller Center back from the Japanese. Notwithstanding their endless wailing, trade liberalization serves the interests of America, Japan and everyone else. The way to get there is by steady negotiation, not bullying.

*— THE NEW YORK TIMES.*

# Other Comment

## Chinese-Indonesian Détente?

What will be the signal event in Asia during 1990 — the thing history will judge most far-reaching and consequential? The year is young, of course, but the smart money will be taking a position behind a *quiet breakthrough about to happen*. It is the visit of Ali Alatas to Beijing, a mission in which Jakarta's foreign minister is to clear the way for the final reconciliation of Indonesia and China. The rendezvous, unofficially set for the first week of May, is to wrap up a yearlong effort to heal wounds that have divided these mistrustful giants for a generation. What will they make of it? The ice now being broken is not exactly melted, and normalization is not a wedding party. Even so, it spells the closing of a 25-year schism that has racked much of Asia between India and Japan. If the clash of cultures made a big difference, its settlement is likely to be just as historic.

Chinese pioneers [came] into Southeast Asia to find new lives in the tin mines, shipyards and bazaars of colonial settlements. Wherever Chinese were, there was China, and this theory of where writs run is precisely what Indonesia felt compelled to challenge finally and convincingly. As Southeast Asia's center of gravity, Indonesia saw its empire-sized population as a match for those awesome numbers who call themselves the Middle Kingdom. The impending Jakarta-Beijing thaw today is China's formal recognition of this other Asia's distinctiveness and integrity.

It is a settlement that arrives as Indonesia is prepared to confound sceptics of 20 years ago and emerge as an authentic economic powerhouse. Diversification of industry after the 1980s oil bust is beginning to pay off in a big way, and Jakarta's pyrotechnic financial market is lighting the way to a more profound boom ahead.

The confidence that Indonesia obviously feels in its strength now has not only enabled the opening to China. It also promises to make the accommodation as important in its way as America's 1972 China initiative. At the purely economic level, it will pull out the stops on bilateral trade that is already growing dramatically. For ethnic Chinese around the region, moreover, it will open up a vast new frontier for trade and investment that they may have been hesitant to explore till now. But, as Richard Nixon's visit with Mao signaled the beginning of the Vietnam War's end, so this détente may end the larger Indochina ordeal for good. If ASEAN fails to survive this shift, leaving the common front rather aimless, its loss may be the gain of that larger thing called Asia.

*— Asiaweek (Hong Kong).*

## How Can We Stand There?

More than half a century ago, I felt for the first time a frustration I have often experienced since as an incorrigible do-gooder — being attacked, ignored or ridiculed by those I ventured to warn about what I perceived to be an immediate and growing threat to us all.

How can we stand on one shore of the shrunken Atlantic knowing that on the other shore, in sub-Saharan Africa, 413 million fellow humans have a per capita income of $330 a year, knowing that the life expectancy of the average Ethiopian is 42 years, knowing that we co-occupy a small green planet in the black emptiness of space — how can we know all this today, as we knew what was brewing in 1936, *and not give a damn*?

There is a ray of hope now, just as there was in 1936, that we can stop spreading the disease of delusion, the rejection of fact in a fantasy world. Recent polls indicate that most American taxpayers express willingness to accept a modest tax increase if it is clearly stipulated to relieve the hungry, homeless and certifiably poverty-stricken. If the band keeps playing that tune and the procession starts moving and growing, perhaps some fearless politician will step off the sidelines and rush to lead the parade.

*— Jack L. Levin, a businessman, writing in The Baltimore Evening Sun.*

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# OPINION

# The World Needs U.S.-Japanese Teamwork

**By Stephen S. Rosenfeld**

TOKYO — Fantastic country, Japan. Down there with Haiti at the end of the war, it is now up with America and in some ways out front. Not by America's fortune of space, safety and natural resources but largely by its human skills of work, organization, discipline and planning, it has created its own social and economic marvel and its own sort of plausible democracy, too.

In these circumstances of sacrifice, self-help and world-class achievement, how could the Japanese not be puzzled, dismayed and sometimes even resentful that their still-valued American patrons should now be denigrating their triumph, threatening to penalize them for their successes, hectoring them in a nerve-scraping fashion and tending to treat them as the docile clients they are determined no longer to be?

***At the moment, this prospect of global partnership is slipping.***

A week's inspection of official and private thinking in Tokyo does not leave me thinking, with some, that the repeated intensifying disputes on trade and other economic issues are going to produce an explosion or some absolutely intolerable condition of crash between the two countries.

The Japanese and American economies are too intertwined for that. Habits of cooperation are too broad and deep. Japan's security dependency on the United States is now a permanent and treasured fixture of the Asian landscape. Japanese like and admire a great many features of American life: the democratic example, the life-style, consumer goods, business services, pop culture.

Not only is the United States the source and balance wheel of the Japanese democracy, moreover. Japan has in effect a one-party system — the Liberal Democratic Party has never been unseated — in which America now plays the newly recognized role of opposition. This it does by demanding in trade talks that Japan further open its market, strengthen domestic demand and satisfy pent-up consumer desires. Japan's own opposition parties have proved too weak to do this job on their own.

These economic disputes rub Japan raw. The historic accident of defeat, occupation and tutelage left Japan far more preoccupied with its American connection than the other way around. The resulting psychological imbalance pains Japanese more than the trade imbalance and Japan's high-tech challenge pain Americans. Slights, real and imagined, are magnified a hundredfold.

A certain nationalist current is running — no: the old prewar militarism, although symbols of that era are evoked, but a contemporary version stressing the claim to an independent or at least a more made-in-Tokyo international and defense role. The novelist-politician who recently suggested that Japan might sell its chips to the Soviet Union is everywhere described as an eccentric and his suggestion as a fantasy, but some people do not mind imagining that the United States squirms.

The real danger, I think, is not a breakdown in relations, let alone a Japanese reversal of alliance, but a grinding deterioration that sours everything and spoils the marvelous potential for cooperation that now exists between these two great nations.

In the first instance it is a potential for prosperity and healthy growth of the global economy. Beyond that, it is a potential for international civility — specifically, to keep America constructively engaged in the post-Brezhnev world and to draw hitherto insular, economics-minded Japan into a cooperative role consistent not just with their wealth but also with their special and successful experience as a modernizing democracy.

At the moment, this prospect of global partnership is slipping. Yet it is the dream of those on both sides of the Pacific who are struggling to contain and satisfy the powerful domestic constituencies that bear the immediate brunt of efforts to harmonize the two economies.

In Tokyo, as you might expect, chagrin is evident that Americans do not more readily salute the steps Japan is now promising to take to open its market, although there is also some perception of the distrust Japan has earned for itself by its grudging past performance on this score.

While the tendency is strong to appreciate the Bush administration's avowal of anti-protectionism, there is universal skepticism that Americans are prepared to do their share — the "structural impediments" talks, the formally agreed share — of consuming and borrowing less, investing and taxing more and becoming more competitive.

I learned that many Japanese, while complaining every step of the way, are privately grateful for American pressure because it lets their anxious, producer-oriented society make necessary and long overdue pro-consumer changes that were previously beyond its political reach.

The changes incumbent on Americans are perhaps even more necessary and desirable, but the Japanese have no comparable leverage on the United States, and the U.S. political system is working only very reluctantly to do the right thing by itself. There looms an "impediments imbalance," a situation in which Japan will have done much of what America asks to remove obstacles to an integrated global economy and Americans will have done not too much at all. In addition, the trade imbalance — in the United States, politically the key index — *will still* be very large.

It takes some courage to peer into this abyss, but this may be what people will have to do to avoid the sort of deterioration and wastage that otherwise are on the horizon.

It comes down to political leadership, and here a striking irony is unfolding. In part to explain America's frustrations in dealing with Japan, a "revisionist" school has arisen which says that Japan is not a democracy in the American image. Rather it is a unique and exceptional society not so much led by accountable political leaders as manipulated and guided by secretive interest groups and bureaucrats. I found many establishment Japanese — the villains in this theory — who concede that there is much to it, although they reject its policy implication that the Japanese, being different, should be treated as adversaries, not friends.

The irony remains that Japan may turn out to be a society more capable of responding to urgent national imperatives than the United States.

This particular competition is one that no responsible nation would want to win or lose. Such is the connection between the two countries, and their capacity for global impact and service, that it would be a universal loss for either to fall short of its duty to itself and the common good.

*The Washington Post.*

# Iraq: Hussein's Role Becomes More Threatening

**By Flora Lewis**

PARIS — The conventional Washington argument on Iraq is that President Saddam Hussein is totally impervious to official complaint but may mellow when handled with velvet. Fiercely prickly he is, but the evidence scarcely supports the conclusion.

On the contrary. After all his recent tantrums and the revelations of the clandestine drive to build weapons of mass destruction, new reports indicate that he may resort again to old-style terrorism as well. The reports come from high Palestinian sources but cannot be confirmed. They are troubling.

Baghdad is said to have authorized reopening an office of Abu Nidal's Fatah Revolutionary Council, the group responsible for the Lockerbie Pan Am bombing and other massacres. Iraq was taken off the U.S. State Department's villain list of states sponsoring terrorism last year. This seems to be Mr. Hussein's thanks.

Abu Nidal himself is in Libya, under close surveillance, evidently taking orders from Moammar Gadhafi and deprived of initiative. It is now known in Paris that the Frenchwoman Jacqueline Valente and five Belgian companions were captured three years ago by the Libyan navy and held hostage in Libya until just before the release on April 10 in Beirut of the woman, her daughter and the child's Belgian father.

Ostensibly they had been in Lebanon all that time as Abu Nidal's prisoners, and Colonel Gadhafi extracted gratitude and high praise from the French for his "humanitarian" intervention in getting them, but not their Belgian fellow hostages, set free.

From Baghdad, which was long Abu Nidal's headquarters, the group is likely to have more operating room, even if Abu Nidal can't join them. There is no telling the plans of Mr. Hussein, who appears to be in a rage.

Meanwhile, he is flexing his muscles with Arab leaders. He has forced OPEC to move its next schednled meeting from Vienna to Geneva because an Austrian official publicly criticized him for threatening to "burn half of Israel." He is trying to oblige Arab leaders to honor him by holding their next meeting in Baghdad, although that is not yet agreed.

His influence is due in part to the popularity that his extravagant menaces to Israel and his defiance of Western appeals have won him in the public and press of several Arab countries. In part it is because troubled Arab leaders are afraid of his intentions as he continues his enormous arms buildup 18 months after the cease-fire with Iran. He has again demanded territory from Kuwait, although the border was settled by agreement a couple of years ago.

The perspicacious analysis of one Arab diplomat is that Mr. Hussein, who rules by utter terror, fears he can hold power only by keeping Iraq on a war footing. He is said to be paranoid about Israel destroying his chemical weapons production as it attacked his nuclear arms plant in 1981.

But he wants to make sure that Iraqis and other Arab leaders share his cries of alarm, keeping tensions high. His aim for a Baghdad summit is a declaration of support for Iraq as speaking for the Arab nation.

Washington tilted to Iraq during the long war with Iran, which Mr. Hussein started, out of concern that Khomeinism would win and spread uncontrollably through Islam. There is still a bias in the State Department because of U.S. diplomats taken hostage in Tehran in 1979. But Mr. Hussein *now claims that he won the war*, since he didn't lose, and deserves the prizes of victory. His old ambition to be dominant in the Gulf is resurgent.

If the Abu Nidal group is reinstalled in Baghdad, Washington can have no choice but to return Iraq to the state terrorism list, with its consequences. That would be merely responding to injurious challenge, hardly diplomacy. It is time for the United States to make more active efforts to isolate Mr. Hussein, who runs in effect not just a one-party but a one-man state.

He is a menace to all his neighbors, including those seeking to appease him with support such as Saudi Arabia and Jordan. But they can hardly be expected to be less indulgent toward a fellow Arab fulminating against Israel and Iran than the United States is. Washington has good reason to be irritated with Israel. That is not a reason to comfort Mr. Hussein.

Many Mideasterners bemoan the fact that their region seems to be losing significance now that they can't play Cold War tag. No doubt many more, muzzled by dictatorships, bemoan the fact that their region has not joined the march to democracy. They suffer most from their own sick societies. Washington cannot prevent that, but it can at least rally *moderates against intimidation* by the ragers.

*The New York Times.*

# Israel: The Old Electoral System Needs Overhaul

**By Jim Hoagland**

PARIS — Israel's politicians have *finally found an enemy they cannot overcome*: themselves.

They vanquished the Arabs, outlasted the Soviets and charmed and won over the Americans as no other foreigners ever have. But the aging warhorses of the Likud and Labor parties cling to power stubbornly. The old guard blocks the fresh thinking and action that Israel needs to deal with a changing Middle East.

The latest uproar over Jerusalem and the hurried implanting of new settlements in the West Bank and Brezhnevization. Staying in power becomes the only object of being in power. Immobility becomes strategy.

Likud's leaders have even devalued their own settlement policy, turning it into an electoral gimmick to be trotted out to keep them in power a little longer. The hasty settlement projects that became known in recent days were not launched out of religious fervor or in a cool calculation to change demographics. They were launched by a caretaker Likud regime to buy the Knesset votes that Likud needs to form a new government, now that Labor's own crass effort to buy enough votes to take power has failed.

A decade-long cycle of divided governments, long interregnums and extended haggling to patch together ever shakier coalitions has led President Chaim Herzog and other Israelis to conclude that electoral reform is the most urgent task facing Israel.

The current party-list system fragments powers among warring factions and gives tiny extremist groups in the Knesset enormous leverage. The system has proved inadequate to deal with the deep divisions in Israeli public opinion over how to deal with the continuing Palestinian revolt. It keeps failed leaders at the top of the party structures that draw up the candidate lists for the Knesset.

In the latest dispute over Jerusalem, Likud's leaders have succeeded *in a task that should be nigh to impossible*: undermining Israel's strong claim to the Holy City. They secretly financed the takeover of St. John's Hospice in Jerusalem's Christian Quarter with funds that apparently included U.S. aid money, and baldly lied about it when caught.

Likud officials have been quick to respond to criticism by saying that Jews have the right to live in the ancient part of the Holy City. But that is not the question. The Israeli army settled that general principle in 1967 after Jordan unwisely joined Egypt and Syria in attacking the Jewish state. The Jewish Quarter, taken over by the Arabs after 1948, was re-established with explicit assurances that the city's other historic quarters would be maintained as well.

Likud's hard-liners leave the impression that they are prepared to deny or limit the right of others to live in Jerusalem on religious grounds. The ultimate logic of the hard-liners' statements and surreptitious actions is that Jews alone will decide the fate of the historic and religious sites and districts of Jerusalem.

Likud's support for extremist settler groups for narrow political gain risks calling into question 22 years of responsible Israeli authority over Jerusalem, as the American Israel Public Affairs Committee has reportedly pointed out in a letter to Prime Minister Yitzhak Shamir.

Such a result would be unfortunate. The most realistic scenarios for a Middle East settlement include East Jerusalem as the price the Arabs will have to pay for the humiliating defeat of 1967. Israeli sovereignty over the undivided city should eventually be accepted by the Palestinians and by the international community as a building block for a final settlement.

Such scenarios assume that Israel's sovereignty would be attenuated by guarantees of access and residence that reflect Jerusalem's status as the Holy City of Christianity and Islam as well as of Judaism. But Likud's secret actions in the case of St. John's Hospice raise serious questions about the willingness and ability of a future Israeli government to provide or fulfill such guarantees.

The hard-liners toy with Jerusalem *at a time when superpower rivalry in* the Middle East is declining and an American president who feels he owes nothing either to American Jewish voters or to Israel sits in the White House. The failure of many Israeli politicians to recognize that the collapse of Soviet global ambitions will alter the Middle East shows how petrified their thinking has become.

Mr. Shamir feels that he can extend the status quo into the future no matter what happens around him and around Israel. His immediate goal is to re-establish a coalition with Labor that he will again dominate, in order to avoid both elections and any movement on the Palestinians.

That is a dead end. The Labor Party, with its proud heritage from the days of David Ben-Gurion and Golda Meir, can perform a new service for Israel by refusing to join another coalition and going into opposition to rejuvenate itself. It could then force an electoral reform that would free Israel's politicians from themselves.

*The Washington Post.*

# A UN Agency With a Last Task

**By Giorgio Giacomelli**

*The writer, an Italian diplomat, has been commissioner-general of the UN Relief and Works Agency since 1985.*

VIENNA — The United Nations Relief and Works Agency, which began as a temporary relief effort to alleviate the plight of Palestinian refugees after the Arab-Israeli hostilities of 1948, is 40 years old on May 1.

When the powder keg in the occupied territories finally exploded in 1987, the agency had been busy for many years running schools, health clinics and social programs for hundreds of thousands of Palestine refugees throughout the Near East. This required raising an amount in excess of $200 million a year to keep services going and pay 18,000 teachers, health workers and other employees, the vast majority of whom are refugees themselves, and also to cope with the consequences of the fighting in Lebanon.

Politically ambiguous, the agency was all things to all men. To some it represented a form of humanitarian compensation; others saw it as a contribution to an eventual solution of the Palestine question.

The intifada has now changed almost everything, including perceptions of the UN role. The agency has maintained its normal services, but it also had to treat the wounded and send international refugee affairs officers to safeguard UN staff and property, negotiate access to camps under curfew and sometimes defuse angry confrontations. Never before has the need for an international presence been so great.

In my discussions with Israeli leaders, I have usually found understanding and sympathy for the agency's efforts to continue to educate the refugees and promote their health and welfare. There has been less understanding for the more active role our international staff has been obliged to undertake in the face of violence. The UNRWA role has evolved in ways that have been applauded by some and criticized by others.

All those who follow developments in the Middle East agree that progress is frustratingly slow, but one can sense that there will be success in the end — no matter what obstacles are placed on the path of peace. Indeed, the Middle East will surely feel the winds of change that are blowing in the world — a world in which the old political and economic structures are crumbling and where the role of international organizations will be more critical than ever. The agency, with its well tried structures and its well trained staff, can contribute to underpinning stability in the Middle East and helping foster the healthy development of a *future Palestinian society*.

The funds needed to keep the agency going during this interim period are relatively small, but the governments providing them are faced with conflicting priorities, including most recently the need to support the rapid emergence of democracy in Eastern Europe. I suggest, however, that governments should also keep in mind the importance of stability in a Middle East that once again, and more than ever, will be the most sensitive frontier of Europe. Those governments that wish to contribute to peace and stability in this region will, I hope, continue to help the United Nations Relief and Works Agency meet its last challenge before passing into history.

*International Herald Tribune.*

# The Case For Berlin As Capital

**By A. M. Rosenthal**

BERLIN — What are those soldiers doing, for Heaven's sake, right there on the sidewalk in the center of the East German capital while people from all over the world are looking on? The goose step? It can't really be the ridiculous, strutting, old German goose step?

Somebody from England says what idiots the East German Communists were to adopt that instant reminder of Nazism. No wonder they couldn't last more than half an hour after the Russians withdrew the protection of the Red Army.

There are a dozen Japanese, coffles of other foreign tourists and small crowds of West Germans, all watching in astonishment. The human earthquake that cracked open the Berlin Wall made this part of the city an instant tourist attraction.

All the foreigners have visited booncing West Berlin but never here. So it comes as a distinct politicals shock to discover that the real center of the undivided Berlin was not the miles of shops and theaters of the Kurfürstendamm area in West Berlin but right here, hidden behind the wall for three decades.

Power. This part of the city with its vistas of boulevards and palaces was built to symbolize and strut the martial power that Prussians and their bemedaled princes, corseted dukes and dim kaiser needed to help them imagine that they were men.

And of course it was in this part of Berlin that Adolf Hitler built and died for the power to satisfy his rage against God and man. Is there anybody at all who can visit this part of Berlin and not remember seeing him stand above the crowds and hearing them scream back at him in adoration? The memory of Berlin as the city of the Prussians and the Nazis is the reason many Germans are opposed to making unified Berlin the capital of unified Germany.

Some tell each other it would be too expensive to move from the pretty but soporifically sedate, small city of Bonn now that so much money has been invested in government buildings since it became the temporary capital of West Germany in 1949.

But East Berlin, despite decades of the slovenly maintenance that is communism's urban trademark, is obviously *a great part of a great city*.

It is full of museums, concert halls and monuments to all of Germany's past, not just its eras of shame. Reunited Berlin combining the commercial bounce and young zest of West Berlin with the architectural glories of East Berlin would make one of the world's great capital cities.

The real German hesitations — that it would be just too grand, too full of memories — are not unimportant. Many foreigners agree that the modesty of Bonn would be safer; so keep Bonn just because it is quiet and dull.

I came to Germany thinking that, too — but no longer. For one thing, a good case could be made for recreating the German capital in the very city where German Nazism and German communism, which had much in common, were finally defeated.

And it seems to me that if Germany and its people are really so weakly committed to democracy that simply moving their center of government from its temporary site to its real home would break the ties, the rest of the world should find that out — the sooner the better.

In Berlin, everything would be on display before the world. That would be healthier for Germany and for all who are affected by its destiny, which means just about everybody.

More important: Berlin is so obviously right historically and culturally *that to pretend otherwise would be* one more piece of evasion, deception and hypocrisy. They are the three evils of international politics.

We have had enough of pretenses surrounding German unification.

The West pretends that it was for German unification all these decades, which is a falsehood.

Moscow pretends that it will insist on neutrality, when it is really looking for the best possible political and economic deal with the new Germany.

The Germans pretend that they have done everything they can to remove the fears that still live in Nazi Germany's victims. What the Germans would like to do is play down the whole subject of survivors' fears *as much as possible*.

Selecting the right place for the capital would throw into the unification *stew* two ingredients that have been missing so far — candor and clarity. It would be nice to taste them again, particularly in the still troubling but still great city of Berlin.

*The New York Times.*

# 100, 75 AND 50 YEARS AGO

## 1890: Alaska's Capital

NEW YORK — The House Committee on Public Lands recommends the change of the capital of Alaska from Sitka to Juneau, as the latter place has 1,000 white inhabitants against the former's fifty.

## 1915: A Shocking Flight

NEW YORK — New York may have its shocking exhibitions of new art, of nudes descending staircases, of raughty undraped dancing figures, but there is a town within "forty-five minutes of Broadway" which will stand for none of those *new-fangled ideas*. New Rochelle, made famous by George M. Cohan, has rejected a painting by Mrs. Elizabeth Watrous, which was to have been exhibited at the new public library. Miss Jessie F. Brainerd, librarian, strolled into the gallery, and almost the first picture upon which her eyes fell was Mrs. Watrous' "In the War Zone." "This will never do," said Miss Brainerd. The offending picture was taken down, its face was turned to the wall. Later it was placed in a dark corner of the cellar. It represents a woman, partly clad, fleeing from the destruction of her village. "You see, the woman didn't have time to dress for the street," said Mrs. Watrous when told of the trouble. "The Uhlans were coming and she had time to dress only for the opera."

## 1940: Civilians Fired On

STOCKHOLM — A charge that Nazi invaders of Norway have fired on civilians who took no part in the fighting was made today [April 29] in a declaration issued by the Norwegian government. "The German government has issued denials that they ordered their military forces to fire at civilians who took no part in the fight. But members of the Norwegian government have personally witnessed such acts of violence and thus know that they are facts which cannot be denied." The declaration thanked Britain, France and Poland for their aid.

International Herald Tribune A Special Report

*Monday, April 30, 1990*

# Taiwan: Rich but Uneasy

## Capital Flight Threatens An Overheated Economy

### In 1990, a Second Year of Zero Export Growth

*Special to the IHT*

TAIPEI — The casual observer could be forgiven for doubting Taiwan's economy is one of the richest in the world.

The country is likely to record its second consecutive year of zero export growth in 1990. A steady capital flight, high inflation from an appreciating currency, a decline in individual savings rate, a labor shortage, tight credit rates are squeezing its core manufacturers, and infrastructure development plans that are expected to hogtie the capital city for much of this decade.

After years of runaway growth, Taiwan is facing an economic reckoning. Although the gross national product is expected to expand by a respectable 6 percent his year, two years of spiraling inflation has forced manufacturers to either automate or relocate. And government officials are shepherding producers away from making such labor intensive items as textiles and toys, and toward high-tech goods.

> After decades of uncontrolled expansion, Taiwan is now facing an economic reckoning.

Through tax incentives and subsidized research and development, the government has been largely successful. Electronics remains the country's leading export, and manufacturers are steadily expanding their product range. The country's fledgling aerospace industry, although struggling to find a cohesive growth strategy, is also growing.

Taiwan's financial services sector is also developing. Domestic banks are slowly meeting the growing demand for project finance and mergers and aquisitions, given the exodus of manufacturers in search of cheap labor and lower production costs overseas.

"These small companies need advice," said Michael Chang, president of Global Capital Management Co. "A lot of them have never even borrowed money before."

Despite the growing demand for financial services, however, foreign firms in Taipei continue to suffer from regulations designed to protect domestic interests. Overseas securities houses, for example, are still restricted from doing business in Taiwan unless they accept a minority stake in a joint venture with local companies.

Deregulation has been slow. "The government often releases some concession to overseas businesses to see what the reaction is, and if there's no sabotage of the market, they'll take another step," said Peter Kurz, managing director of Baring Securities Taiwan. "The government wants to make sure its local companies can stand up to foreign competition before it opens up."

Still, analysts said more exposure to overseas competition would expand the investment options available to Taiwan's consumers, the vast majority of whom are obsessed with the stock market. Every day, Taipei's casino-like stock trading rooms woo thousands of laborers away from the workplace, eroding the work ethic on which Taiwan's economic miracle was built.

Taipei's average houshold income has reached $2,000, sparking a surge in consumer spending and a rapid decline in the savings rate, from a high of 39 percent in 1987 to a forecast 30 percent this year.

The debt and credit markets are woefully illiquid, although some analysts said they expect a growing demand for corporate bond issues, as companies turn to debt to finance capital upgrades or product research. Bankers Trust Company, which is actively promoting new instruments in Taiwan, said it is consulting about a dozen firms about convertible bond issues.

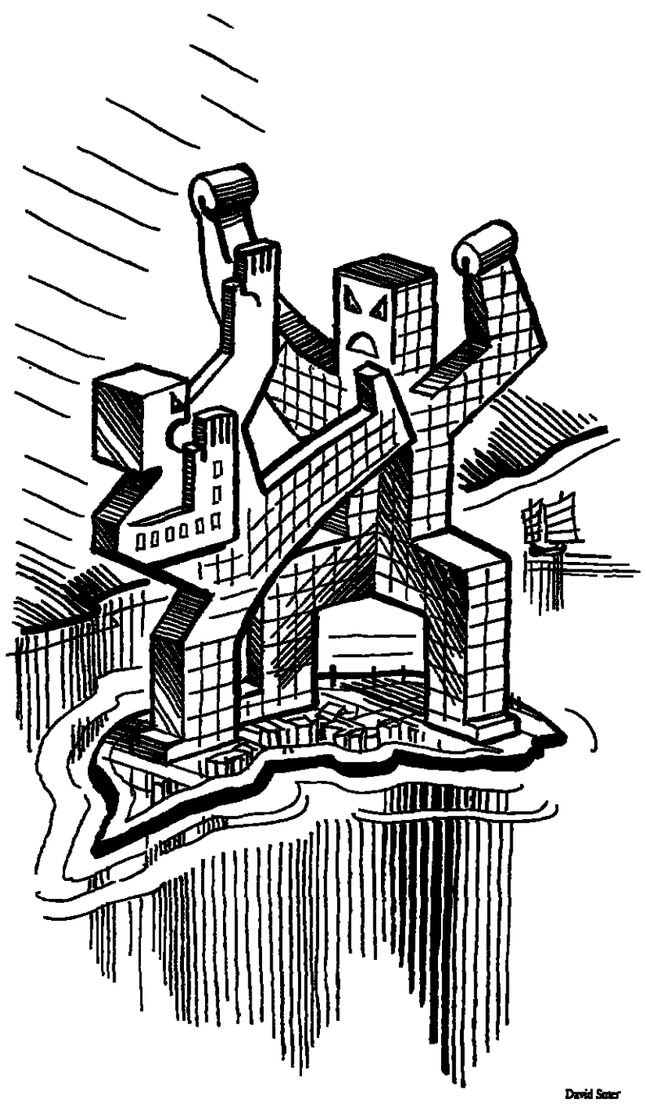
But financial services alone will not alleviate the primary concern among producers — a dwindling supply of labor and high interest rates. High inflation has forced the Finance Ministry to tighten credit, which has notched up the operating costs of small to midsized businesses, which dominate Taiwan's manufacturing base.

The government is also reluctant to ease credit rates because of the propensity for cheap money to find its way back into the stock market, analysts said.

"The credit crunch is really hitting the small companies, but it's hard to ease the money supply here without the cash going back into the market," said an analyst with an overseas bank.

Wage rates have spiraled, and many factories are operating at 60 to 70 percent capacity because of the shortage of labor. Compound-

**Continued on page 8**



David Suter

Taiwan's quality of life has become a victim of the industrial boom that fueled its economic miracle.

## Dealing With the Costs Of Runaway Growth

**By Steve Glain**

TAIPEI — Money isn't everything. Just look at Taiwan. With an estimated $72 billion U.S. in foreign reserves, Taiwan ranks as the second wealthiest nation in the world. But money alone cannot help Taiwan's social and political structure keep pace with years of runaway economic growth.

Residents of Taipei, the capital city, have little to show for enduring grueling inflation rates.

With no public transport system for a city of 2.7 million people, rush hour traffic is considered the most paralytic and hazardous in Asia. Unfettered industrial expansion has turned the country's major cities into toxic sumps. Violent crime, unheard of only a few years ago, has reached alarming proportions.

Worse, Taiwan's domestic problems have reached a head at a time when the government and its people are wrestling with an acute identity crisis that threatens to undermine Taipei's de facto independence from China.

Since 1949, when the Communists drove Chiang Kai-shek's forces across the Formosa Strait, the two governments have claimed dominion over China.

Against the backdrop of Taipei's "three-nos" policy — no contact, compromise, or negotiations with the mainland — the two Chinas have concentrated on their own affairs while holding out for eventual reunification.

FU HU, a professor at National Taiwan University and a delegate at the National Affairs Conference, said: "Taiwan and China are just like the moon and the Earth. It's hard to keep them separate, but each has its own orbit, its own domain. This dynamic relationship demands its own special order."

In 1987, Taiwan began dismantling the autocratic rule imposed by the Chiang dynasty in favor of more representative government. That evolution was reaffirmed last month, when President Lee Teng-hui, an advocate of political change, consolidated his control after a stormy presidential election.

The election results dimmed the influence of the government's aging right wing, which transplanted the ruling Kuomintang Party in Formosa after the war and has stubbornly refused to leave the political arena.

Conservative leaders fear that Mr. Lee, an aloof but generally popular technocrat, could waver over the issue of reunification with the mainland. As Taiwan has become more prosperous, its young people more outspoken, and the mainland government more brutal, calls for reunification have been obscured by a growing demand for independence.

By taking the initiative early, Mr. Lee shrugged off a surprise challenge for the presidency from within Kuomintang ranks, then exploited his resources as an incumbent to secure his election from the National Assembly.

The intense political maneuvering was upstaged by protests — some violent — by voters demanding more representative democracy and the dissolution of the National Assembly. Most assemblymen are aging Kuomintang members who still claim to represent mainland constituencies, and are increasingly out of touch with Taiwan's affairs.

The demonstrations peaked when thousands of students occupied Chiang kai-Shek Memorial Square to demand constitutional change.

ALTHOUGH the assembly conjured up unsettling memories of Tiananmen, the protesters left quietly after Mr. Lee promised to hold a conference on national affairs in July to cobble together electoral changes.

By defusing a potential crisis so quickly after his re-election, Mr. Lee has congealed his position between an enervated old guard and a vocal but divisive left wing. But popular discontent with the electoral process and Taiwan's relationship with the mainland is expected to rumble again during the conference this summer.

Although surveys indicate that most Taiwanese are satisfied with the country's de facto independence, the drive for a formal separation has gathered enough steam to pressure the government into clarifying its relationship with the mainland. But it is just such a high-level proclamation that official Taiwan wants to avoid.

Beijing has stated repeatedly that it will invade Taiwan should it declare independence, or if the situation becomes so unstable that the mainland would feel obligated to intervene. Although it is unknown how the mainland defines instability, several analysts said a constitutional overhaul could provoke fears from Beijing that Taiwan was slipping unacceptably close to bourgeois-inspired anarchy.

The threat of mainland intervention seems all the more palpable with the approach of the first anniversary of the tragedy around Tiananmen Square.

"The Beijing government has already demonstrated it doesn't care that much about what the world thinks of its actions," said an analyst with a Hong Kong-based securities firm.

Even if the government can somehow reform itself without provoking the mainland, it faces over

**Continued on page 9**

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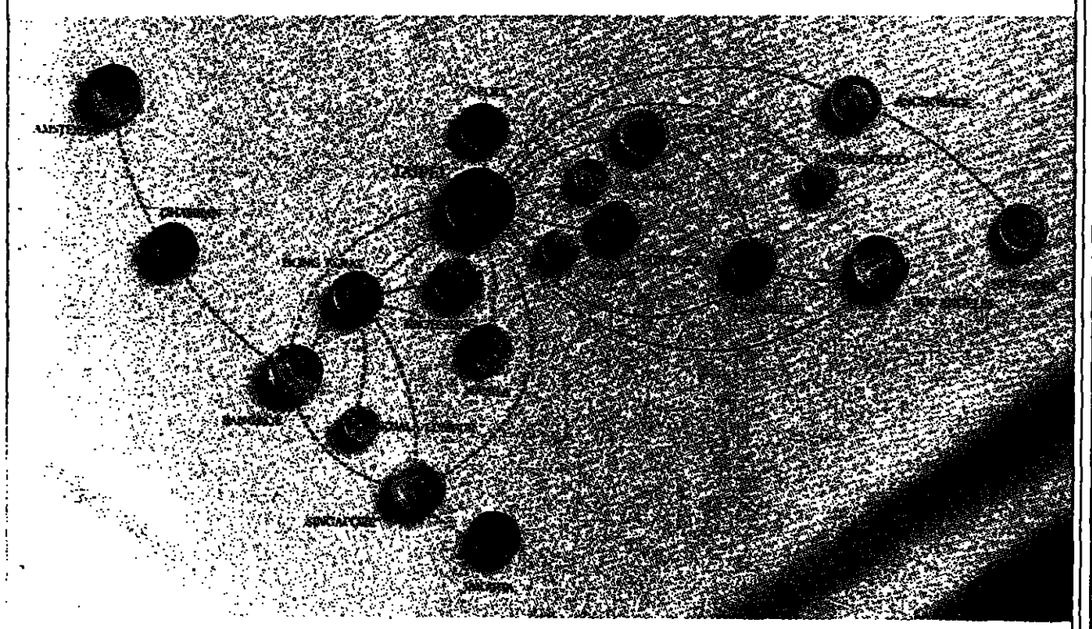

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# A Matter of Time: Trade Across the Strait

By Steve Glain

TAIPEI — For many of Taiwan's restless investors and manufacturers, the antidote for the economy's growing pains lies 100 miles across the Formosa Strait.

Behold China, one of the world's largest sources of cheap labor and raw materials, and coveted by Taiwanese producers who have been jacked by rising inflation and high manufacturing costs in their own country.

Faced with a limited domestic supply of natural and human resources, Taiwanese investors and manufacturers have been forced to plumb other markets. Last year, Taiwan replaced Japan as the largest source of investment in Southeast Asia and has been actively proposing joint venture agreements with U.S. petrochemical and electronic firms.

But analysts agree that China offers Taiwan's manufacturing sector and investors the greatest potential.

"If it's done right, you could continue to do business in Taiwan as it has been done for the last 20 years on a broader scale," said E.M. Williams, Citibank's country manager.

Direct trade and investment between the two Chinas remains a fundamental pillar of the nonrecognition policy. But most analysts and some government officials acknowledge that Taiwanese investors are combing the mainland's virgin markets. Several analysts estimate Taiwanese investors injected $1 billion into mainland businesses in 1989.

The benefits of direct trade and investment between the two Chinas are obvious. Taiwan would offer its technology and capital in exchange for raw materials, cheap labor and looser environmental regulations. Fujian province has been widely touted as the fulcrum for Taiwan-mainland trade because of its proximity and common language, given the Fujian roots of many Taiwanese families.

AT THE END of last year, the number of Taiwan ventures in Fujian totaled about 490 with a value of about $700 million. In the first three months of this year, Taiwan investment in Fujian rose more than $300 million to $1.24 billion.

Total indirect trade between China and Taiwan — most of which goes through Hong Kong — reached $3.2 billion last year, up 28 percent from the previous year. Taiwan's exports to the region totaled $2.8 billion, while imports reached $600 million, according to Taiwan's board of trade statistics.

Those figures, which are deceptively low given the increasing level of unofficial direct trade, make Taiwan China's seventh-largest trading partner.

Most analysts agree Beijing and Taipei will eventually agree on some kind of arrangement that would allow direct trade without trampling on each other's claim to sovereignty.

"The official policy is no contact, but people know there are hundreds of cases where that isn't the case," said David T.C. Liu, deputy executive director of the state-funded China External Trade Development Council. "Most people understand it's a matter of time."

Jean-Pierre Laffont/SIGMA

*A petrochemical complex on Taiwan.*

NO ONE understands that better than industrialist Y.C. Wang, the founder of the petrochemical giant Formosa Plastics Group, who appears to be setting his own timetable for mainland-Taiwan trade and investment links.

Early this year, the Taiwanese-born Mr. Wang visited China's Fujian and Guangdong provinces, where he met the provincial governors and discussed trade-related issues. Since his return, rumors and local news reports suggest he has signed a lease to build a petrochemical plant and port facilities on Hai Tang Island.

Such a venture would fuel local demand for free-trade zones on the mainland, widely considered to be the best way to sidestep the diplomatic minefield regarding direct contact between the two Chinas.

A free-trade zone would raise problems over who hires and fires employees, convertibility of foreign exchange, arbitration procedures regarding trade disputes, and customs regulations. But analysts said the logic and growing necessity of such a plan would overwhelm any technical difficulties.

"A free-trade zone would give both sides a means of monitoring the level of trade, but it wouldn't change the political situation that much," said Jeff Toder, an analyst with Jardine Fleming Taiwan Ltd.

"Moving manufacturers to the mainland has its political risks," said Citibank's Mr. Williams. "And as their upstream suppliers follow, the risks get higher."

Many government officials in Taiwan are also worried that forging links with the mainland will enhance China's bargaining position over other issues, such as reunification, analysts said.

The mainland has already disrupted one of Taiwan's top trade priorities —entry into the General Agreement on Tariffs and Trade.

**Taiwan Foreign Trade**
Annual Percentage Growth (US$ basis)

| Year | Exports | Imports |
|---|---|---|
| 1985 | 0.89 | -8.46 |
| 1986 | 29.69 | 20.21 |
| 1987 | 34.54 | 44.67 |
| 1988 | 13.01 | 42.05 |
| 1989 | 9.28 | 5.26 |
| 1990* | 5.66 | 9.52 |

*Government projections

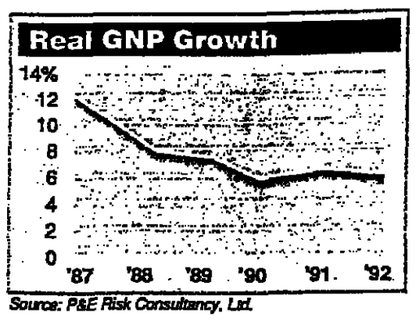
Source: P&E Risk Consultancy IHT

Taiwan, which has the 13th largest economy in the world, applied for a seat on the GATT in January and a decision has yet to be reached.

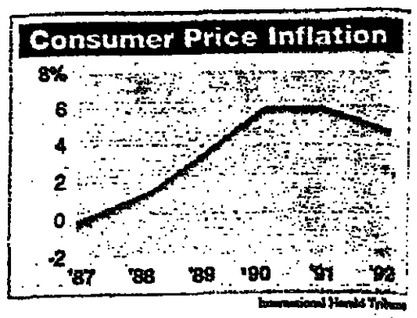
Government officials and private analysts in Taipei blame China for intimidating GATT members from endorsing Taiwan. Even the United States, originally a strong supporter of Taiwan's application, has backed away because of the diplomatic implications at a time when Sino-U.S. relations have plummeted.

"The response from many of the contracting parties is that they would like to see us in the GATT," said Ke-sheng Sheu, director general of Taiwan's board of foreign trade. "But many of them have diplomatic relations with China and fear a conflict."

**Real GNP Growth**




**Consumer Price Inflation**




Source: P&E Risk Consultancy, Ltd. International Herald Tribune

# The Threat of Capital Flight

Continued from page 7

ing the problem is a growing brain drain of talented young people, who are leaving Taiwan's pollution, rising crime rates and congestion for better opportunities abroad.

THE result has been a surge of capital outflow, as businessmen search overseas for new investment options. Since 1988, when the government eased restrictions against investing overseas, Taiwan has experienced a net capital outflow of nearly $2 billion. In 1987, the country posted a net capital inflow of $4 billion, largely because of the appreciation of the New Taiwan dollar.

Petrochemical firms lead the exodus, as much to escape Taiwan's mushrooming environmental movement as to seek cheap labor. Pollution in Taiwan's urban areas has become intolerable, and residents have forcibly stopped operations at some factories.

"The petrochemical industry is at a standstill," said an analyst at an overseas investment firm.

Efforts to untangle Taipei's hellish road network and rid the streets —and sidewalks— of toxic motor vehicles will top the government's agenda for the next five years. Taiwan's fiscal 1991 budget is 22 percent larger than the previous year's, largely because of public works expenditure.

Because of the size of the proposed subway project, the cost of which is estimated at $725 million, government spending is expected to sustain economic growth despite the anticipated decline in exports. However, construction will cause nightmarish bottlenecks and the government is nervously preparing for what has already been dubbed Taipei's "period of darkness."

Steve Glain

# Asia Link Worth $8.3 Billion

TAIPEI — Officially barred from direct trade and investment in mainland China, Taiwanese manufacturers have turned to the next best source of cheap labor and production costs — Southeast Asia.

According to Taiwan's board of foreign trade, total trade with Thailand, Indonesia, the Philippines, Malaysia and Singapore reached $8.3 billion in 1989, up 13.6 percent from $7.3 billion in 1988.

Taiwan maintains a trade surplus with all Southeast Asian countries except Malaysia, which has posted brisk sales of computer chips for Taiwan's own electronic industry.

As a percentage of Taiwan's total global trade, Southeast Asia accounted for nearly 40 percent, in 1989, compared with 33 percent from the U.S. and 22 percent from Japan.

Taiwan investment in Southeast Asia skyrocketed in 1989, rising nearly four times to $296 million from $59.1 million in 1988, according to figures from Taiwan's Industrial Development and Investment Center. Last year, Taiwan replaced Japan as the largest single investor in the region.

The exodus of Taiwan funds began in mid-1988, when the government relaxed restrictions aimed at keeping New Taiwan dollars in the country. Under new regulations, a single investor is allowed to remit up to 5 million New Taiwan dollars overseas.

The move came none too soon for Taiwan's manufacturers. In the last three years, the New Taiwan dollar has appreciated about 40 percent, and producers are being slowly squeezed by rising wages and high borrowing costs.

As a result, many factories are operating at only 70 to 80 percent capacity, because of the shortage of labor. About 10 percent of Taiwan's manufacturing plants have been forced to close, largely because of the stronger currency.

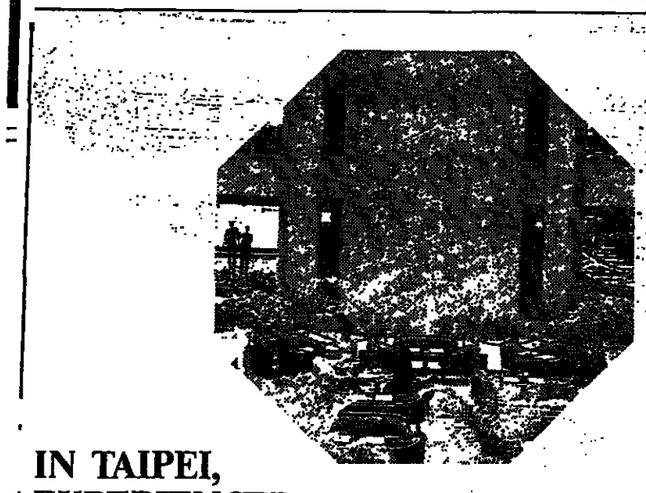
One reason that Southeast Asia is popular among Taiwan's businessmen is because of the liberal foreign ownership rules. Generally, an overseas investor can own 100 percent of a Southeast Asian company if all, or most, of the product is designed for export. The lone exception is the Philippines, which limits foreign ownership of a domestic firm to 40 percent but allows total ownership if the overseas investor introduces new technology to the country.

Regional trade nearly 40 percent, in 1989, compared with 33 percent from the U.S. and 22 percent from Japan.

Southeast Asia has welcomed Taiwan's investment for diplomatic as well as economic reasons. Although most governments in the region would like to recognize Taiwan, they also want to avoid upsetting China. Thailand and the Philippines, in particular, are vulnerable to communist insurgencies that are fueled in part by the mainland.

Commercial exchange with Taiwan helps Southeast Asian nations galvanize relations with Taiwan without having to acknowledge it as the true China. In return, Taiwan can expand its role as a global trading nation, which will help support its application to join the General Agreement on Tariffs and Trade.

Steve Glain

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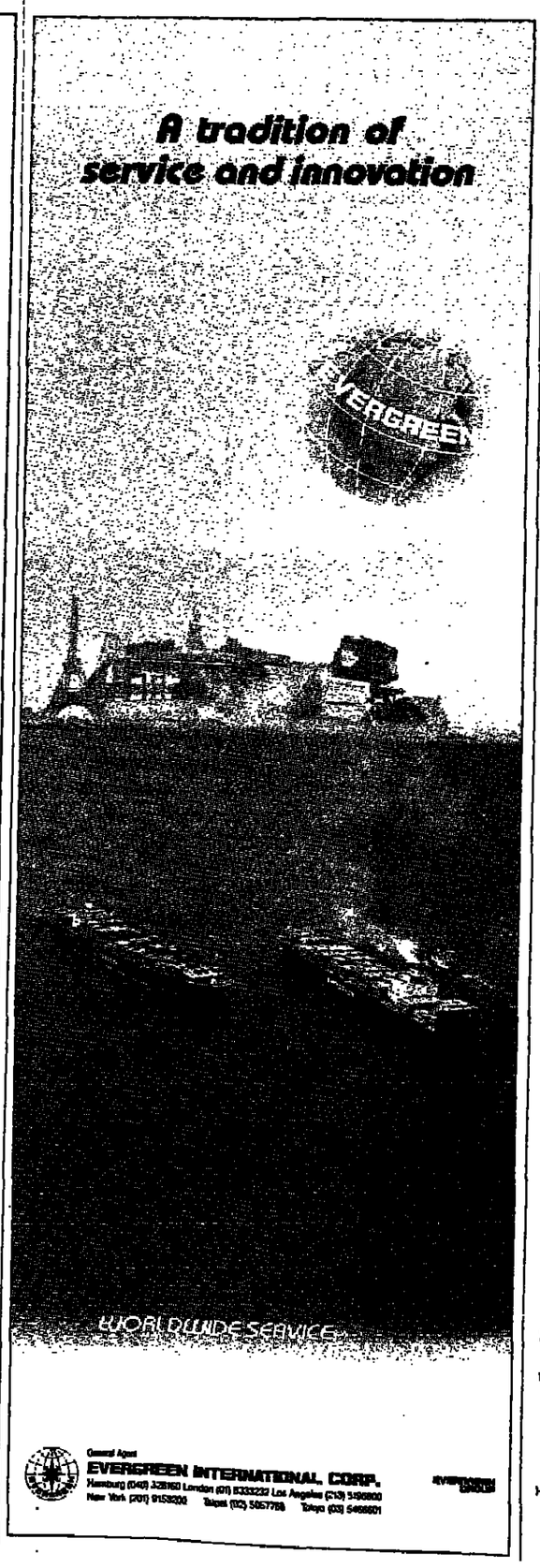


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# Global Value-Added Craze Adds to Computer Industry's Doldrums

By Chris Brown

TAIPEI — The current lull in the computer business worldwide has left the industry in Taiwan a bit uneasy. The basic issue is that Taiwan has finally reached the point where engineering alone cannot solve all its problems.

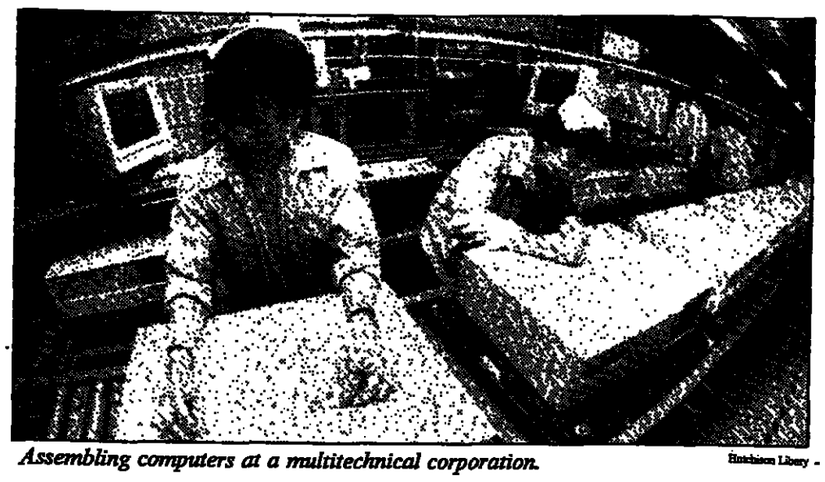
Professionals in Taiwan's high-tech sector are beginning to hit roadblocks that were not so pressing two years ago. They point to rising land prices, a scarce labor pool, supply bottlenecks and marketing troubles overseas.

It's the same list of problems that confronts every computer exporter, but in Taiwan's case, the doldrums are spread over a much larger base of companies. There is no IBM or Sony here, nor for that matter a Daewoo or a Samsung.

Worse yet, it is now starting to look like South Korea and Japan — with their conglomerates — may be better placed to take off once the computer business picks up steam again.

"Before, we could never understand how far we were behind the developed countries ... At our level now, we can finally understand it," says Otto Lin, president of the Industrial Technology Research Institute (ITRI), Taiwan's premier research and development body.

Last year, Taiwan's computer industry exported some $5.2 billion worth of equipment, a 4.9 percent growth rate over the previous year. This is lackluster performance, compared to the industry's 80 percent growth in 1987, and 35 percent growth rate in 1988.



*Assembling computers at a multitechnical corporation.* Hutchison Library

Like the computer industry worldwide, Taiwan is currently caught in a value-added craze. Companies in Taiwan are looking to boost their profit margins, especially on products that have become commodities, like personal computers. Taiwanese PC companies report that profit margins on low to medium PCs have bottomed out at 2 to 5 percent now, down from 5 to 10 percent two years ago.

But a step upmarket is risky. On the engineering side alone, it is simply a lot easier to produce low-end PCs than high-end workstations. Furthermore, adding value to computers is usually done with software or networking, areas in which Taiwan has never been strong.

Software is a particularly sore point. Taiwan is still haggling with the United States over intellectual property rights. March brought the first legal actions against a Taiwan cloner of the Apple Macintosh, and April brought similar raids against two companies for using copied software. Taiwan software firms are typically concentrated in a few niche markets, like computer chip design and securities trading.

To Taiwan, adding value means higher-end PCs, plus a few new products. Medium to high-end laptop computers should begin streaming forth starting in the third quarter. High-resolution monitors are also due out about then.

The problem with judging the health of Taiwan's computer industry is that there are only a handful of major firms. Acer Group, Taiwan's premier computer company, ended last year with an unaudited sales total of $702 million, but revenues dipped to only $5.6 million after a sluggish market and a series of investments.

Mitac International, the No. 2 computer firm, raked in $170 million in revenues, a growth of 25 percent over 1988. Projected sales for this year are $210 million.

The big surprise was the Taiwanese buyout of the U.S. firm Wyse Technologies. Wyse, which owns half the market worldwide for computer terminals, offers Taiwan investors a chance to get their hands on an established sales network.

For a firm like Mitac, with a minority share of Wyse, this could be a vital channel for PCs made under the Wyse label. Mitac has minimal presence in the U.S. market, where Wyse is strong.

The Wyse buyout has clearly established a trend in Taiwan toward mergers, especially as a means of boosting sales and design. In March, Microtek, a computer peripherals maker, bought into C-Cube Systems of the U.S. to develop video technology. Acer last year acquired a U.S. peripherals company and merged with its West German distributor. It also signed a $250 million joint venture with Texas Instruments to produce memory chips in Taiwan.

Just about everyone here recognizes that sales and service will be the cornerstone of the next industry upturn. Worldwide the computer industry has not yet sorted out the issue of standard operating systems, especially for mid-range computers. At the PC level, the dream of easy-to-use windowing software for the IBM-compatible crowd is still a year or so away. All of this tends to leave Taiwan in limbo.

The bright spots here are still in research. ITRI, which is partly government sponsored, continues to spin off its technology and staff to help start-up firms. The latest venture is hard disk drives for personal computers. The technology has been in the ITRI labs for the last six years, and the first production should begin in the third quarter.

Memory chips are another budding technology. Early this year the Ministry of Economic Affairs handed ITRI an undisclosed amount of cash for a five-year catch-up course in DRAM memory production. By 1994, ITRI and a consortium of Taiwanese firms hope to bypass the entire first cycle of memory chips that are now in use today.

The latest talk in Taiwan is about liquid crystal display technology, which is vital for laptop computer screens and defer electronics. Other research ar include satellite technolo backed by a $400 million five-y grant, and even superconductor

But all the research still poi to a need for a new kind of stra gy in Taiwan. In the past the co try has been able to rely on sp offs from ITRI, and mass mar products. Now the feeling is t many firms here will either fin niche or perish.

*CHRIS BROWN is a Taip based writer who contributes re larly to Computerworld magazin*

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# Amid Hothouse Growth, Mushrooming Crime

By Paul Mooney

TAIPEI — It was 10 A.M. and the lobby of Asia Securities, a Taipei securities firm, was crowded with investors on their way to the trading floor.

Suddenly several gunshots rang out, sending frightened investors scattering for cover. A man fell to the floor bleeding profusely as two men scooped up $35,000 in cash, speeding away seconds later on a motorcycle as bystanders looked on in horror.

The man was the fifth person shot and killed in Taipei that morning in the opening hours of the latest national crackdown on crime.

Taiwan's rapid economic development is being followed by an even more rapid increase in crime that is making incidents such as this almost a daily occurrence.

In 1989, more than 6,000 violent crimes — murders, kidnappings, rapes and robberies — were committed around the island, for a 22 percent increase over 1988. According to a recent survey, crime is now the No. 1 concern among people in Taiwan.

Abductions rose to 130 last year, up 36 percent over the previous year, with most of the victims children or teen-agers. This new trend has made children afraid to talk to strangers, and some parents have even hired university students to walk their children to and from school.

"Some friends tell me they don't want to have kids because they can't guarantee their safety," says one cabinet official.

Businesses are among the main victims as gun-toting gangsters have begun extorting "protection money" from companies. According to a survey conducted by the Economic Ministry's Medium and Small Business Administration, 32 percent of medium- and small-businessmen reported being threatened by gangsters.

Another survey conducted by the National Police Administration shows that 10 percent of major companies have been the target of extortionists.

Actual figures could be much higher, say police, since many companies are afraid to report such harrassment, preferring to pay the money.

Chang Yung-fa, chairman of Evergreen Group, which includes the world's largest container line, paid $1.9 million last December for the safe return of his son from kidnappers. Although the abductors were soon captured and were given death sentences, the case caused panic among local businessmen.

> Abductions rose to 130 last year, up 36 percent over the previous year.

Wang Yung-ching, chairman of Formosa Plastics, the island's largest industrial conglomerate, cited worsening social stability as one of the main reasons for declining domestic investment and for his decision to travel to mainland China earlier this year to investigate the investment climate.

The wealthy are now shunning expensive items such as Rolex watches and the Mercedes-Benz — until recently popular symbols of Taiwan's new-found wealth — because such flashy possessions often make them the target of gangsters.

One businessman driving a Mercedes-Benz barely escaped ambush on the road from a golf club one day, only to be gunned down in front of his house the very next day. Luxury car importers reported plummeting sales at the end of last year.

Many of these serious crimes have been committed with guns smuggled into the island. In 1989, 9,675 guns were seized by police, 690 of which were Red Star and Black Star pistols brought in illegally on fishing boats from mainland China. According to police statistics, 94 people were killed with guns last year, with mainland-made guns used in 89 of the murders.

Shootings have become so common that Chang Gung Memorial Hospital in Taipei County, which is now treating an average of eight bullet wounds a month, recently held a seminar to train surgeons how to treat gunshot wounds.

Chuang Hang-tai, director of the NPA's Bureau of Criminal Investigation, announced earlier this year that about 50 percent of the violent crimes and larceny that occurred last year were committed by people between the ages of 12 and 20.

Police in April smashed a juvenile crime ring, arresting 19 suspects believed to have been involved in no less than 39 major crimes, including murder, rape and robbery. Stolen property and cash worth more than $191,000 was seized by the police. The youngest of the arrested was only 14 years old.

Experts point to the lack of moral education in the schools today, which concentrate on more practical subjects to get their students through the island's extremely competitive examination system.

More important, however, is the excess money floating around the island in recent years.

According to police officials, about two-thirds of the violent crimes committed last year were money-related.

The government's response to the rise in crime has been harsh. According to a report released by the Supreme Court, a record 68 death sentences were handed out in 1989, up sharply from the previous average of nine per year, and an indication, said the court, of the "serious deterioration" in the island's social order.

Hsieh Chang-ting, an opposition member of the Legislative Yuan, says that while he is opposed to the lifting of gun controls, if the situation continues to worsen the government should consider the possibility.

While Interpol statistics show that Taiwan is relatively safe compared to more industrialized countries, with only 333 crimes committed per 100,000 people in 1989, the rise in crime is encouraging more and more people to flee the island.

*PAUL MOONEY is free-lance journalist based in Taipei.*

# Runaway Growth

Continued from page 7

whelming domestic challenges.

Taiwan's quality of life has become a victim of the industrial boom that fueled its economic miracle. The landscape surrounding Taipei looks more Dickensian than subtropical. Smokestack factories mingle with corrugated steel housing. Sunsets are snuffed out by the smog. The air around Taipei and southern Kaoshiong regularly exceeds the minimum acceptable pollution levels. Much of the pollutants come from the swarms of motor scooters and automobiles that urban residents are forced to use in the absence of adequate infrastructure.

The government has already started an ambitious underground mass transit network in Taipei, but construction is expected to disrupt the city for the next five years, according to analysts.

Despite its shortcomings, Taipei has become one of the most expensive cities in the world because of an acute labor shortage and the steady appreciation of the New Taiwan dollar. Rents have skyrocketed and most young executives are faced with long commutes to cities.

Taiwan's economic boom has also generated excessive wealth, and the inevitable friction between lower and upper classes. As crime has risen, Taiwan's well-heeled have been shocked into assuming a less glitzy life-style. Luxury automobiles, once a key trapping of the status-conscious, have become beacons for kidnappers.

Faced with such a low standard of living at such high prices, many overseas corporations are reappraising their commitment to Taipei. Taiwan's bid to become a financial center on a par with Tokyo, Hong Kong and Singapore is quickly dismissed by foreign executives.

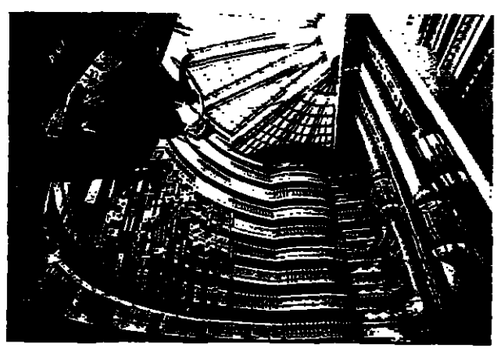
"It would take at least a decade for Taipei to be another Hong Kong," said an official with a U.S.-based bank here. "There's no way they would attract the professionals needed to do it. The government thinks that just because Taiwan has been successful at selling exports, it can do anything it wants. But that's just not the case."

The buzzword among analysts and public officials here is "consensus." Before Taiwan can proceed with confidence as an international entity, for example, it must forge a consensus with Beijing. Cleaning up the environment requires consensus between residents who will not tolerate a petrochemical plant in their neighborhood and the producer who cannot afford to relocate. Quelling discord between Taipei's various political factions is impossible without consensus on such issues as reunification, presidential power and the electoral process.

Consensus in Taiwan can be painfully slow to reach, even in the best of times. And many Taiwanese expect the situation to worsen before it improves.

"We are in a crisis," said Michael Chang, president of Global Capital Management Co. Ltd. "Industrial activity is slowing down, crime is up, pollution is bad. It's like wartime."

*STEVE GLAIN is the International Herald Tribune's correspondent in Hong Kong.*



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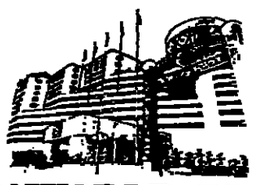

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# Environmental Disaster Worsens

By Eric Flamm

TAIPEI — For residents in the smog-shrouded city of Taipei, living in a polluted environment is ...essing concern as their quality ...fe decreases. Motorists and ...estrians commonly wear gauze ...ks in hopes of protecting ...nselves from the severe air pol...on that hangs over the city like ...own curtain.

...ntil recently, Taiwan has not ... much attention to its envi...mental problems, having achieved a state of affluence. But local citizens are now voicing concern as pollution levels continue to escalate. Taiwan's severe pollution is not confined to the air: Garbage, sewage and industrial waste all pose serious problems as the country pays the price of its "economic miracle" that transformed it from a less-developed agricultural nation into a newly industrialized country in a few years time.

Many of Taiwan's mounting environmental problems can be attributed to a high population density. The Republic of China has approximately 20 million people and the 35,824 square kilometers of the main island is slightly bigger than the combined area of Massachusetts, Rhode Island and Connecticut together.

Population density in 1986 was the second highest in the world, with 538 persons per square kilometers. Mountainous terrain, which takes up over two-thirds of the island's land mass, crowds industrial and residential areas into the valleys and basins whose geological configurations often serve to trap polluted air.

In Taipei, 90 percent of air pollution, sulfur oxides, nitrogen oxides, and carbon monoxide, are consumer generated and come from cars and motorcycles. Taiwan boasts the highest per-capita ownership of motorcycles, with one in every three people having one.

Dependence on the two-stroke motorcycle is a major source of unburned hydrocarbons; the cumulative effect of emissions from Taipei's motorcycles contributes more to harmful air pollution than automobiles. As the island's traffic continues to worsen, the popularity of motorcycles shows no sign of waning. Small 125cc motorcycles and scooters provide cheap and convenient year-round transportation in Taiwan's subtropical climate.

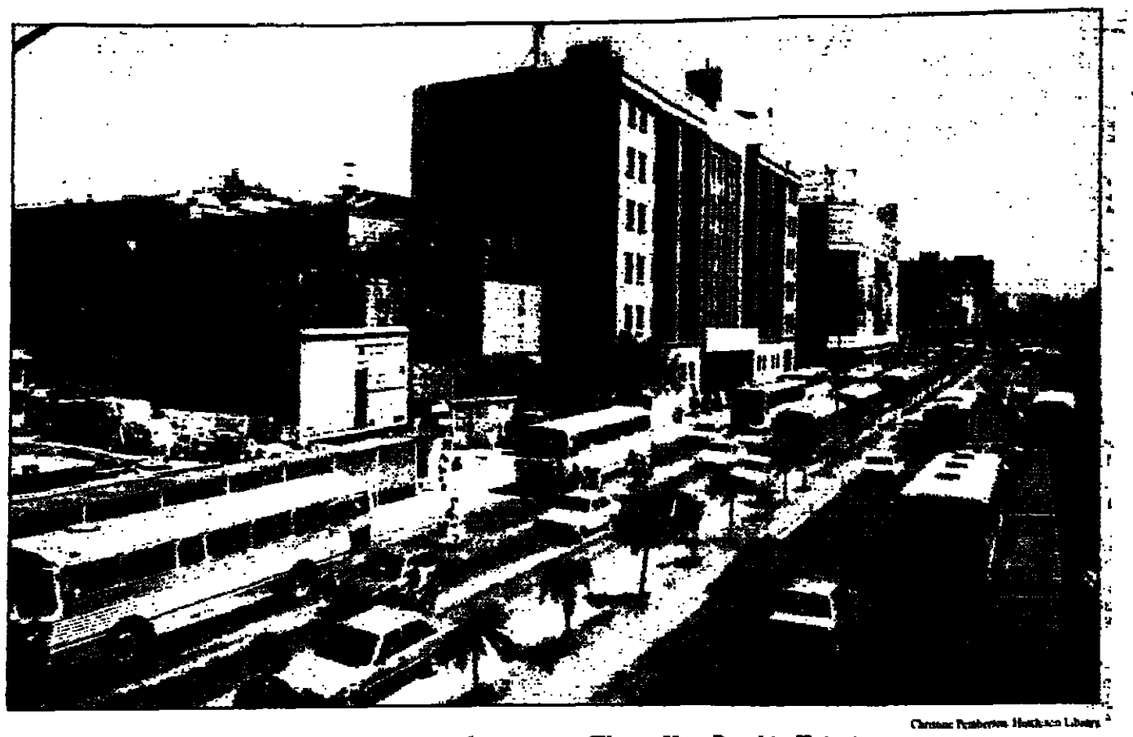
Despite the often gridlocked traffic in Taipei and a severe shortage of public parking spaces, car sales are booming with an estimated 8,000 to 10,000 cars sold each month just for the city area. The substantial increases in per-capita income in the past three years, lowered import tariffs, a mature local automotive industry and reduced gas prices all have resulted in more vehicles on the road. For Taiwan's newly arrived middle class the car remains an important status symbol even if it is impractical to drive in the city.

In an attempt to remedy the oppressive traffic and air conditions of Taipei, the city is in the process of building a subway system. Many consider this step an action taken too late to have a significant bearing on the city's overabundance of vehicles. The first stage will be finished in 1993 and the optimistic forecast for completion of the entire system is at the close of the century.

Responding to a growing public voice that the government take action for the deteriorating quality of the environment, in 1987 the Taiwan Environmental Protection Administration (EPA) was established to create national standards for consumer and industrial waste.

Prior to 1987, the provincial government was responsible for regulating factory discharge and waste disposal. Lacking cohesive national emission standards as well as resources for enforcement, the provisional government's environmental policies were at best irregular and at worst grossly inadequate.

A scientific adviser to the EPA, Kan-Nan Chen, attributes the severity of current pollution levels to the government's previous laissez-faire attitude toward environmental protection. "In the past few years the government has emphasized economic growth at the expense of adequate pollution standards for industry," he said.



Christine Pemberton Hutchison Library

*Buses, automobiles and two-wheelers compete for space on Zhong Hua Road in Taipei.*

Although the EPA now may be imposing strict emission standards, catching violators, especially small and medium-sized businesses, still proves difficult. Dr. Chen expressed concern that a significant number of small businesses are unlicensed by the government and are therefore completely unregulated. Even licensed businesses with waste disposal systems have been caught exceeding emission controls.

To increase adherence to EPA policies, the agency has undertaken covert means to crack down on violators. While mounting surprise late-night visits to industrial factories last September, EPA agents found companies storing untreated waste water by day and releasing it by night. The agents also discovered that some factories maintained unreported effluent discharge lines in addition to their legal discharge points. These firms would give inspection agents samples from the clear, treated water while secretly releasing untreated waste from the illegal point.

Over the past six months, EPA officials inspected about 250 factories and waste-water treatment facilities, of which nearly 75 percent were found in violation of current EPA standards, said Edward M.Y. Wu, director general of the Bureau of Water Quality Protection of the EPA. As a result of such investigations the EPA has made sweeping revisions of effluent standards set in 1987 for city, village and town sewage and industrial waste water in an attempt to curb the haphazard waste treatment of environmental polluters.

In order to meet increasingly strict emission controls, Taiwan industries must invest in new equipment or upgrade existing facilities. Engines of Taiwan's economy, such as the electronics industry, are now besieged by heavy competition, soaring labor costs and a strengthening New Taiwan dollar and cannot raise the cost of their products to fund investment in waste-processing systems. In response, the EPA is offering financial assistance to help companies meet emission control standards: Low-interest loans and duty-free imports for pollution control equipment that cannot be purchased locally are designed to make environmental protection not such a bitter pill to swallow.

> In Taipei, 90 percent of air pollution, sulfur oxides, nitrogen oxides, and carbon monoxide, are consumer generated and come from cars and motorcycles.

Investment in pollution control equipment is expected to be sizable as more companies are forced to realize that the "good old days" of relaxed pollution control are over. EPA statistics indicate that in the next 10 years investment in pollution control technology will be $40 billion. Presently, Taiwan looks abroad for the majority of its high-technology pollution control equipment with 65 percent of sales coming from foreign companies.

Citizens living near industrial centers have become increasingly irate as the pollution problem worsens, often banding together to state protests over proposed industrial building sites. Such protests have greeted the plastic tycoon Y.C. Wang and his Formosa Plastics Group (FPG) over the past two years and have thwarted his attempts to build a naptha cracker — a facility creating the basic polymers for plastics and other petrochemical products.

Local environmental coalitions in two areas rejected Mr. Wang's assurances of a safe, clean facility. Mr. Chen considers a properly-managed naptha cracker not a major threat to the environment but understands why people tend not to trust the FPG. Mr. Chen compared FPG's reputation for environmental protection to that of Union Carbide after the Bhopal incident saying, "The people don't understand, but they remember the name."

Taiwan's worsening environmental conditions are forcing companies to realize that they can no longer rely on potentially polluting industries to achieve the same rate of economic growth as experienced in the past.

*ERIC FLAMM is a writer based in Taipei.*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# Stocks: Gambling On the Big Burst

By David Huynh

HONG KONG — Cashed-up punters in the casino-like Taiwan stock market used to battle for a slice of the action in the red-hot bourse. Nowadays, most scramble for the right moment to flee before the stock bubble bursts.

And according to many economists and stock analysts, the eruption is nigh.

The highly speculative market built up a head of steam in recent years, fueled almost solely by a huge pool of idle funds accumulated from years of record economic growth and trade surpluses.

But as Taiwan's political and economic scene deteriorated in recent months, increasingly sophisticated local investors and fund managers looked elsewhere to spread their portfolios.

The result has been a great leap in capital flight to developing Asian markets like China, Thailand, Malaysia, Singapore, the Philippines and Hong Kong in search of foreign stocks. This drained the Taiwan economy of idle liquidity — the lifeline of its volatile stock market.

"It's because of the capital outflows that the stock market is performing so poorly recently," said analyst Benjamin Chen at Baring Securities Ltd. in Taiwan.

Official figures showed average daily capital outflow reached $122 million in March, up sharply from $33 million in February this year. Daily outflows so far this month are estimated to be averaging even higher, at more than $125 million dollars.

The Taipei Weighted Index, the stock market's main barometer, plunged more than 25 percent in two months amid political jitters caused by violent protests during the presidential elections in March and accelerating capital flight.

The index fell from a height of about 12,590 points in early February to the present 8,800-point level. Daily turnover has trickled down to an average of around 80 billion New Taiwan dollars in the past weeks from about 150 billion during better times.

"In the immediate term, this market could fall to around 7,000 or 8,000 points before finding support. This also depends on how other world markets perform," Mr. Chen said.

Analyst Jesse Tarn at Ting Kong Securities agreed: "Over the past few years, this market has been pushed up by idle monies. Now these monies have gone abroad, we can't expect the market to return to 10,000 points in the foreseeable future."

"Whether the Taiwan market will stabilize in the future depends highly on the pace of capital outflow and how quickly local interest rates will come down," said another analyst.

Taiwan's commercial banks' prime lending rates are currently at 10.5 percent, while short-term time-deposit rates are about 9 percent. But foreign banks in Taiwan charge primary customers as much as 14.5 percent.

The Central Bank of China moved to ease monetary policy this week by buying back more than 30 billion New Taiwan dollars worth of government paper and cutting overnight rates in the interbank market to around 12.5 percent from 13.25 percent.

But according to a report published by the Hong Kong-based Political and Economic Risk Consultancy Ltd., nothing short of a major overhaul of labor and wages policies would resolve Taiwan's problems.

**Short Term Capital Movements**

In millions of U.S. dollars.

| | | |
|---|---|---|
| 1986 | Credit: | 1,421 |
| 1987 | Credit: | 4,013 |
| 1988 | Debit: | 1,481 |
| 1989 | Debit: | 494 |

Source: Central Bank of China IHT

The island nation of 20 million people recorded its first trade deficit in two years in February, signaling an end to the big-surplus era, economists said. The trade shortfall totaled $320 million in February, against a surplus of 630 million a year earlier.

Many economists are forecasting that Taiwan's current account surplus will shrink by around $2 billion in calendar 1991 from this year's estimated $7 billion. The cause is a combination of improved performances in Korea and China, two countries that compete with different ends of the quality spectrum of Taiwan's exports in world markets, and the local "speculation syndrome" — a sharp decline in the work ethic with rising numbers of people choosing to speculate on stocks, real estate and in the futures market rather than to work.

"This speculative syndrome is clearly self-destructive. If industry stops earning the dollars that drive the stock, share prices must fall. The encounter with reality is not far away," the Political and Economic Risk report said.

The speculative syndrome is also causing a sharp fall in business investment, it said. There is little point for entrepreneurs to ponder new investments earning 20 to 30 percent a year when they could make three to four times that on the stock and futures markets.

*DAVID HUYNH is the Hong Kong-based senior correspondent for Knight-Ridder Financial N...*

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Herald Tribune.
BUSINESS/FINANCE
MONDAY, APRIL 30, 1990

TO ROOFTOP
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EUROBONDS

# Inflation Fears Augment Seasonal Market Jitters

By Carl Gewirtz
*International Herald Tribune*

PARIS — Financial markets are suffering more than just seasonal nervousness in the run-up to next week's quarterly refunding by the U.S. Treasury, when an expected $31 billion of new securities will be put up for sale. Auction time is always a cause for jitters about whether the Japanese will be big buyers. But this time, those worries are overshadowed by the specter of inflation and doubts about the Federal Reserve Board's resolve to deal with it.

Fears about how high yields might need to go to attract buyers is causing disarray in the U.S. bond market. Falling prices have already driven yields to just over 9 percent on 10-year and 30-year bonds, up from 8.45 percent just a month ago.

**'Tougher, tighter policy at the Fed would improve the bond market.'**

The growing weakness of bond prices, in turn, is undermining stock prices. The Dow Jones industrial average lost 51 points last week. The dollar has barely held its ground against the yen and the Deutsche mark, as traders try to assess whether its next move is up or down.

A rise in U.S. interest rates, said Jonathan Wilmot of Credit Suisse First Boston in London, could be the opening move for a worldwide move to higher rates, with the Bank of Japan seeking to defend the yen against the dollar and the West German Bundesbank moving to support the mark, which has weakened within the European Monetary System. "It's a nasty scenario," he said.

Judging by Friday's closing rates, the foreign-exchange market appears to be anticipating a rate rise in the United States but not in Japan, since the dollar ended strong at 159.30 yen. But against the mark it was weak at 1.6765 DM, indicating that traders believe the Bundesbank is bound to raise its interest rates.

Ironically, a rise in short-term U.S. rates is precisely the medicine many market analysts prescribe to arrest the deterioration in bond prices.

"Tougher, tighter policy at the Fed would improve the bond market," said Rimmer de Vries, economist at J.P. Morgan & Co. "This is a fine-tuning Fed," he added, "and its credibility is being questioned. If for political reasons the Fed drags its feet, its credibility is at stake."

HIS OWN BET on whether the U.S. federal funds rate will rise is that "it will be a close call, a 50-50 proposition." While the bond market may be calling for such medicine, the problem about administering it is the frustrating uncertainty about whether it is really warranted.

Market analysts are deeply divided on this issue. The fundamental dispute concerns how fast the economy and inflation are really growing.

The inflation data for the first quarter, reported Friday, were bad, showing prices rising at a rapid, 6.5 percent annual rate.

Growth of 2.1 percent was less fast than had been feared. But pessimists caution that this preliminary number will be revised twice and that it may eventually come close to the 2.4 percent figure that economists were expecting.

The debate centers on whether the first-quarter data give a reliable picture of the U.S. economy or whether serious distortions — particularly the unseasonably mild weather — exaggerated what was really happening and give a false image of what may be in store.

"Seasonal adjustment of the numbers is up, because winter usually slows things down," explained Arnold Simkin, a London-based consultant. To illustrate the distortion from a mild winter he said, "imagine a truck that normally travels at 55 miles an hour but in winter usually slows to 40 miles an hour. Seasonal adjustment raises the speed to 55 miles. But since the truck was actually doing 55 miles this winter the adjustment puts the speed at 70 miles an hour."

Paul Chertkow, currency analyst at Citibank in London, expressed a widely held view that "the first-quarter numbers are exaggerated. We will see inflation pressures abate. Housing, manufacturing and the financial sector are all fairly depressed and when the market realizes how weak growth is it will realize inflation is not headed higher."

At the other extreme are those, like Mr. de Vries, who expect a steady 2 percent-plus rate of growth in the second quarter and inflation continuing at an unacceptably fast rate.

It will be some time before there is conclusive evidence to support either of these theories, but this week the first of the April tea leaves will become available, and analysts agree that great meaning will be read into these first numbers for measuring activity in the second quarter.

The most important of these is Friday's data on employment. Excluding the temporary hiring of census takers, the unemployment rate would have to rise to give credence to those who say activity in the first quarter was transitory. A possible harbinger of things to come was last week's announcements of layoffs: Mc-

See EURO, Page 13

# *Harsh Facts Belie the Glitter of Trump's Casinos*

By Diana B. Henriques
*New York Times Service*

NEW YORK — In late March, Donald J. Trump was putting the finishing touches on the exuberant publicity campaign that attended the April opening of his Trump Taj Mahal Hotel & Casino in Atlantic City, New Jersey.

The result was industrial-strength hoopla, during which Mr. Trump burbled about the thrill of finally completing the vast and long-delayed project and the vitality it would inject into all of Atlantic City.

The casino was, after all, "the eighth wonder of the world," the publicists proclaimed.

At about the same time, lawyers and accountants who work for Mr. Trump were busy meeting a less glamorous deadline: the filing of the annual financial disclosure documents the Securities and Exchange Commission requires of people, like Mr. Trump, who borrow money by selling bonds to the public.

Those SEC reports are something of a wonder, too.

They add some hard, and unexpectedly harsh, financial data to the vague general impression that 1989 was a mediocre year for the New Jersey resort's casino industry.

And they differ in tone to a remarkable degree from the confident hyperbole that surrounded the opening of Trump's Taj Mahal.

For one thing, these filings show that Mr. Trump's two other Atlantic City casinos had a very tough year in 1989, even before they faced the new competition posed by the Taj.

Not even Mr. Trump seems to have anticipated just how difficult the year would be, since he substantially overestimated the amount of cash the two wholly owned ventures would produce in 1989.

In addition, the financial forecasts contained in the SEC documents contrast sharply with Mr. Trump's airy assurances when the Taj opened.

"I can't get into trouble in Atlantic City," Mr. Trump said then.

"Yeah, 1989 was a tough year," Mr. Trump said in an interview last week, when asked about the results detailed in the SEC documents.

"And 1990 will be similar or down a little, because of the effects of the Taj Mahal," Mr. Trump said. "But the Plaza and the Castle were the top casinos in town in January and February, and it's always great to be No. 1 and No. 2," he said.

"And the town as a whole is up tremendously because of the Taj. You know, I always prefer to look at the positives," Mr. Trump added.

Nonetheless, Mr. Trump's accountants and lawyers reported that Trump's Castle had a loss of $6.7 million last year, after losing $3.1 million in 1988.

While Trump Plaza was still firmly in the black, its results were considerably less robust than in 1988.

And cash flow, as defined for SEC purposes, plummeted at both casinos, which are operated through Trump-owned partnerships.

As Mr. Trump points out, the Castle casino did show a gain in net revenue — in casino parlance, that's the cash raked in from gamblers, less the winnings paid out, plus the actual cash paid by customers for food, beverage and hotel rooms.

But although net revenue rose, costs jumped, too, and operating income at the Castle fell for the third year in a row.

By way of explanation, the authors of the SEC document noted that Trump's Castle was hurt substantially last year because of "increased promotional and marketing expenses" due to stiffer competition.

As for the future, the document continued, "management believes that future cash flows

See TRUMP, Page 13

## A Forbes Billionaire No Longer

*United Press International*

NEW YORK — Donald J. Trump the billionaire is no longer, according to Forbes magazine, which maintains a list of America's richest people.

Mr. Trump's net worth hovers around $500 million, far less than Forbes' estimate of his wealth last year of $1.7 billion, according to an article in the magazine's May 14 issue.

Mr. Trump told Forbes he has a net worth of "$4 or $5 billion," the magazine said.

Mr. Trump's properties have a market value of just under $3.7 billion, but he is facing a debt of almost $3.2 billion, the magazine said, citing "nonpublic documents submitted by Trump to a governmental body."

Most affecting Mr. Trump's fortune, Forbes said, has been a general decline in real estate values.

"Even granting his magic touch in upgrading properties, the fact is that virtually all real estate has come down in value the past few years," Forbes wrote.

# EC Hails German Unity

## *Move Seen Aiding Growth for All*

*Reuters*

DUBLIN — European Commu[nity] leaders have welcomed th[e] prospect of German unification a[s] a locomotive for stronger growt[h] and said that they are confident would neither disrupt monetar[y] stability nor spark inflation.

At the end of a special one-da[y] summit Saturday, which was ove[r]shadowed by the EC's push towar[d] the as-yet-undefined concept of po[]litical union, the 12 leaders issued statement that also set out a strate[]gy for closer economic ties wit[h] East European nations.

For the first time, leaders agree[d] to try to ratify treaty change[s] aimed at monetary unity by the en[d] of 1992.

Nonetheless, the Committee fo[r] the Monetary Union of Europ[e] called Saturday for a speeding u[p] of the process. The committee, le[d] by Valéry Giscard d'Estaing, th[e] former president of France, an[d] Helmut Schmidt, the former Wes[t] German chancellor, urged startin[g] an intergovernmental conferenc[e] on monetary union now, rathe[r] than in December, as planned, Agence France-Presse reported.

Speaking after the summit, EC leaders stressed their confidence in West Germany's ability to contain the impact of monetary union with East Germany, a project which has unsettled financial markets and is now due to take place on July 2.

Chancellor Helmut Kohl of West Germany, who said he was highly satisfied with the outcome of the summit, also underlined Bonn's commitment to stamp out any inflationary pressures. "We will not pursue any policy of easy money," he said.

A communiqué, which the EC officials agreed on after seven hours of talks at Dublin Castle, said, "We are confident that German unification — the result of a freely expressed wish on the part of the German people — will be a positive factor in the development of Europe and of the whole Community in particular."

The EC Commission estimated in a study that West German growth could be one percentage point higher in the next few years. That in turn would stimulate EC growth on average by an extra half-point, the paper said.

Diplomats said that the statement's language was a triumph for Mr. Kohl, who last December had struggled to allay fears that the pace of German unification could destabilize the EC's monetary order.

For the first time, leaders set a deadline for ratifying treaty changes needed from the monetary conference to set up a European central bank, a key element of later stages of the blueprint for monetary union. The conference will aim to have such changes ratified by EC members before the end of 1992.

# Milken: Financial Genius or Crook, History Will Decide

By Paul Richter
*Los Angeles Times Service*

NEW YORK — J.P. Morgan was accused of selling defective carbines to the Army, setting up an illegal steel trust and running the financial world like a puppeteer.

Today he is largely remembered as the financier who averted a financial panic, enabled the U.S. Treasury to refinance its debts and helped build the American empire.

The passage of years may similarly polish the reputation of Michael R. Milken, the junk-bond pioneer who pleaded guilty to federal felony charges last week. But only if he is lucky.

Events that are still unfolding will largely determine whether Mr. Milken's marble bust will reside in the pantheon of financial greats, or be consigned to the rogues gallery, with the robber baron Jay Gould, the swindler Charles Ponzi and the stock speculator Ivan F. Boesky.

If junk-bond investments are found to be central to the collapse of many thrifts, if more junk-funded companies fold under their debts and if the Wall Street scandal widens further, Mr. Milken's name may be mud.

He could go down in the record books as a symbol of a decade when financiers earned fortunes shuffling paper and raiding companies, and America's industrial core rotted.

But if those crises ease, history may remember a man who breathed life into corporate have-nots with a new means of financing and who fell because he crossed the line in an age when many on Wall Street seemed to do the same.

If events take that course, Mr. Milken may be able to resurface in the mantle of a senior statesman, much like Richard M. Nixon, making occasional appearances to dispense economic wisdom and tend the flame of his own reputation.

"Milken's reputation is still highly fluid, and what happens next will have a lot of effect on how people remember him," said Robert Sobel, a business historian at Hofstra Uni-

See MILKEN, Page 13

# *Orders for U.S. Tools Rose Steeply in March*

By Jonathan P. Hicks
*New York Times Service*

NEW YORK — Rising to their highest level since September, new orders for American-made machine tools rose 36.6 percent in March, largely because of surges in orders from domestic manufacturers and foreign customers.

A monthly report for release Monday by the Association for Manufacturing Technology, the machine-tool industry trade association, said that the level of new orders rose to $265.8 million in March, up from February's level of $194.55 million.

But compared with the March level a year earlier, new orders were down 8.5 percent, the trade association said. And the level for the first quarter of this year was down 17.6 percent from the comparable period in 1989.

The monthly surge in new orders reflected a rebound in capital spending, analysts said, adding that many manufacturers had begun to spend on plant modernization after months in which such programs had been suspended.

They cautioned, however, that it was too soon to tell whether a sustained period of more robust capital spending was imminent, since machine-tool orders fluctuate widely from month to month.

"Even though there was an increase in March, the level of new orders is still fairly low," said James J. Paper, an analyst with Smith, Kirkpatrick Pettis & Smith in Omaha, Nebraska.

Mr. Paper noted that first-quarter activity in the automobile industry was weak but now seems to be improving. "We are seeing some buying going on now for new automobile models," Mr. Paper said. "But one month does not make a trend."

The higher levels in March included a 20.6 percent increase in domestic orders, to $189.67 million. Foreign orders more than doubled to $76.3 million, the report said.

# Europe May Sap Asia Investment

*Compiled by Our Staff From Dispatches*

MANILA — Asia could be crowded out in competition for financing and trade as the once centrally planned economies of Eastern Europe enter the international arena, the Asian Development Bank said in a report for issue Monday.

The Manila-based bank said in its annual Development Outlook that the opening up of Eastern Europe and the planned abolition of internal trade barriers within the European Community after 1992 provides opportunities and potential problems for Asian business.

It said Eastern Europe could siphon off capital and trade from Asia and other developing areas, while strong consumer and investment demand in the former communist states could increase inflationary pressures, particularly in West Germany.

To take advantage of the opportunities "may well require direct investment in Europe by Asian producers," the report said.

While Eastern Europe provided new opportunities for investment and trade, it could also pose a challenge to Asia as an alternative source of skilled, but relatively cheap labor, the bank said in the report, which is published in conjunction with its 23rd annual meeting in New Delhi, opening on Wednesday.

The bank has lent $29 billion to foster growth in Asia since it was launched in 1966.

The new ADB president Kimimasa Tarumizu said events in Europe "may provide some additional growth stimulus to the world economy," while economic prospects in Japan and Western Europe remain strong.

But he stressed that intra-Asian trade is growing rapidly, and is now "far outpacing corresponding trade flows in other regions and with the rest of the world."

The report by the ADB, which links 49 member governments of industrialized and developing nations, forecast that overall the economies of developing countries in Asia would grow at 5.9 percent in 1990 and 6.3 percent the following year, compared with 5.4 percent in 1989, when growth slowed sharply.

It said this is double the anticipated world average of 2.9 percent growth in real gross national product in both 1990 and 1991. Southeast Asia has overtaken the region's four dragons — Singapore, South Korea, Taiwan and Hong Kong — as Asia's fastest growing area.

The report noted that the Japanese economy is going through profound changes, shifting toward an economy increasingly driven by domestic demand and becoming a linchpin in developing trade and investment within the region.

This will result in a continued rapid rise in Japanese imports and an increase in Japanese spending on foreign travel and tourism that will help stabilize Tokyo's large current-account surplus.

The U.S. economy will remain vulnerable so long as the country does not address its domestic and foreign deficits, low savings rate and exposure to domestic and developing country debt, the bank said.

Despite the possible threat of increased protectionism in Europe, the integration of the 12-nation EC market is likely to benefit Asian exporters by giving them wider access to the Community, while the anticipated spur to European growth will provide better sales prospects, particularly for Asian electronic goods, jewelry and gems.

The bank forecast that because of narrowing labor costs, there would be intense competition between Asian manufacturers and those in Southern Europe.

*(Reuters, AFP)*

# *Bank of Tokyo's Role as Japan's Financial Envoy Dwindles*

By James Sterngold
*New York Times Service*

TOKYO — As Japan's longtime financial ambassador to the world, Bank of Tokyo became used to seeing its fortunes mirror the international successes of corporate Japan.

But in a striking example of how deregulation and competition are transforming the financial system here, this proud institution is now in the fight of its life.

The bank's century-old role as the engine for much of Japan's international growth has been eroded by the expanding foreign presence of much bigger and more aggressive Japanese rivals, like Sumitomo Bank, Dai-Ichi Kangyo Bank and Industrial Bank of Japan.

The bank has also been hurt by the loosening of the country's rigid financial regulations. That liberalization, for example, has ended its monopoly on the foreign-exchange business of Japanese corporations.

But most of all, Bank of Tokyo is suffering for simply doing what it was designed to do: focus on overseas business and not worry about the home market.

Its heavy international involvement made it vulnerable during the last two decades to the same financial turbulence that nearly ruined a number of American banks, leaving it with the same Third World debt problems, while it largely missed out on the economic boom in Japan.

Despite the weight of its troubles, the bank — 19th largest in the world and 14th largest in Japan — has no plans to change direction, top executives say.

"We're an international specialist bank," insisted Kaoru Hayama, the bank's key strategist and managing director of its planning department. "That is what makes us unique. We are operating in a more competitive world, and customers tend to shop around rather than assign their business to just one bank.

"That's why our specialty in international business matters is a strength."

It is a strategy that leaves analysts skeptical.

"Their position as a specialty foreign-exchange bank made them very important to Japanese corporations at one time," said James E. Russell at Merrill Lynch Japan. "But everywhere you turn today, they have some disadvantage. In some ways they are being pushed back into fringe markets."

The bank has spent heavily, for instance, to build its presence in California, where it owns Union Bank. And Bank of Tokyo's chairman, Yusuke Kashiwagi, has said repeatedly that he sees Asia as the most promising market for expansion.

But analysts say it is just purchasing market share in the United States. In Asia, they add, the bank is finding it harder to compete.

"They no longer have any real advantages" in Asia, said Brian Waterhouse, an analyst with James Capel Pacific. "They're steeped in history, but there's not much they can do that Mitsubishi Bank or IBJ or Fuji Bank cannot do."

Meanwhile, there is little room to grow at home, where the bank has just 32 offices, compared with 295 abroad.

Since the government tightly regulates the number of new offices, the only effective way to expand is by acquisition, and prices are prohibitive. "We can manage," said Mr. Hayama, 55. But the trouble signs remain.

Although Bank of Tokyo has reduced its exposure in recent years, it still has by far the largest portfolio of problem Third World loans of any Japanese lender, equal to 92 percent of its equity.

Sharply rising interest rates over the last six months have depressed the bank's basic profit spread, the difference between its return on all its assets and the rate it pays for its capital.

According to Merrill Lynch, that spread has tumbled from a relatively healthy 0.74 percentage points three years ago to an estimated 0.20 now.

Certainly, all Japanese banks have suffered, but those whose deposits come largely from companies rather than individuals, like Bank of Tokyo, have been hit hardest. This is because the rates paid to companies tend to rise faster than those paid to consumers.

That trend will contribute to the expected decline in Bank of Tokyo's consolidated net income to an estimated 50 billion yen ($313 million) for the year that ended March 31, down from 60.7 billion yen the previous financial year.

Several analysts are now asking whether the bank would be better off combining with another institution. Some say it would make an ideal merger candidate with a regional Japanese bank that has a strong domestic branch system.

"They need a partner," said Stuart Matthews, an analyst here for Barclays de Zoete Wedd. "They're getting killed in so many ways, precisely because they're just an international bank."

Ironically, the troubles now being faced by this quintessential Japanese institution are not much different from what many American banks are encountering as they try to match financial muscle with the Japanese banking behemoths.

## CURRENCY RATES

### Cross Rates

April 27

| | $ | £ | D.M. | F.F. | I.L. | Gldr. | B.F. | S.F. | Yen |
|---|---|---|---|---|---|---|---|---|---|
| Amsterdam | 1.8945 | 3.091 | 1.1249 | 0.3354 | 0.1535 * | — | 5.448 * | 1.2952 | 1.1925 * |
| Brussels(a) | 34.7675 | 56.72 | 20.644 | 6.153 | 2.817 * | 18.3585 | — | 23.7675 | 0.219 |
| Frankfurt | 1.6822 | 2.744 | — | 0.2981 | 0.1365 * | 0.883 | 4.845 * | 1.1152 | 1.06 * |
| London (b) | 1.6355 | — | 2.7433 | 9.2148 | 2,012.00 | 3.0875 | 56.615 | 2.3888 | 259.81 |
| Milan | 1,224.50 | 2,014.75 | 732.97 | 218.41 | — | 651.49 | 35.591 | 7.773 | 844.00 |
| New York(c) | — | 1.632 b | 1.6765 | 5.6285 | 1,230.00 | 1.8855 | 34.649 | 1.454 | 159.30 |
| Paris | 5.615 | 9.2225 | 3.3553 | — | 0.4578 * | 2.9835 | 0.1626 | 3.8652 | 3.5565 * |
| Tokyo | 159.30 | 260.41 | 94.82 | 28.27 | 0.1295 | 84.34 | 4.5974 | 109.07 | — |
| Zurich | 1.4615 | 2.3839 | 0.8484 | 0.2591 | 0.1186 * | 0.7724 | 4.2126 * | — | 0.9189 * |
| 1 ECU | 1.2158 | 0.7443 | 2.0456 | 6.8632 | 1,499.37 | 2.301 | 42.2243 | 1.7763 | 193.086 |
| 1 SDR | 1.3821 | 0.7978 | 2.1903 | N.Q. | 1,607.35 | N.Q. | 45.269 | 1.9036 | 207.482 |

*Closings in London and Zurich, fixings in other centers. New York closing rates.*
*a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

### Other Dollar Values

| Currency | Per $ | Currency | Per $ | Currency | Per $ | Currency | Per $ |
|---|---|---|---|---|---|---|---|
| Argen. austral | 5020.1 | Fin. markka | 3.977 | Mex. peso | 2800.01 | S. Afr. rand | 2.6603 |
| Austral. $ | 1.3289 | Greek drac. | 164.60 | N. Zealand $ | 1.7361 | Soviet ruble* | 0.6074 |
| Austr. schil. | 11.81 | Hong Kong $ | 7.7884 | Norw. krone | 6.527 | Span. peseta | 106.35 |
| Brazil cruz. | 51.25 | Indian rupee | 17.422 | Phil. peso | 22.47 | Swed. krona | 6.104 |
| Canadian $ | 1.164 | Indo. rupiah | 1830.93 | Port. escudo | 148.65 | Taiwan $ | 26.38 |
| Chinese yuan* | 4.72 | Irish £ | 0.6266 | Saudi riyal | 3.7450 | Thai baht | 25.85 |
| Danish krone | 6.3855 | Israeli shek. | 1.96 | Sing. $ | 1.876 | Turkish lira | 2488.00 |
| Egypt. pound | 2.6633 | Malay. ring. | 2.716 | S. Kor. won | 706.60 | UAE dirham | 3.66 |
| | | | | | | Venez. boliv. | 45.00 |

*New York rates unless marked * (local rate.)*

### Forward Rates

| Currency | 30-day | 60-day | 90-day | Currency | 30-day | 60-day | 90-day |
|---|---|---|---|---|---|---|---|
| Pound Sterling | 1.6251 | 1.6162 | 1.6083 | Canadian dollar | 1.1688 | 1.1731 | 1.1779 |
| Japanese yen | 157.87 | 157.68 | 157.48 | Swiss franc | 1.4580 | 1.4578 | 1.4571 |
| Deutsche mark | 1.6802 | 1.6797 | 1.6794 | | | | |

*Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.*

## Last Week's Markets

All figures are as of close of trading Friday

### Stock Indexes

| United States | Apr. 27 | Apr. 20 | Ch'ge |
|---|---|---|---|
| DJ Indus. | 2,645.05 | 2,695.72 | —1.88 % |
| DJ Util. | 203.72 | 208.12 | —2.11 % |
| DJ Trans. | 1,128.20 | 1,154.87 | —2.31 % |
| S & P 100 | 312.48 | 319.97 | —2.34 % |
| S & P 500 | 329.11 | 335.11 | —1.79 % |
| S & P Ind | 383.34 | 389.90 | —1.68 % |
| NYSE Cp | 180.74 | 184.09 | —1.82 % |
| **Britain** | | | |
| FTSE 100 | 2,106.60 | 2,187.10 | —3.68 % |
| FT 30 | 1,658.70 | 1,712.60 | —3.15 % |
| **Japan** | | | |
| Nikkei 225 | 29,585.00 | 29,835.00 | —0.84 % |
| **West Germany** | | | |
| DAX | 1,825.52 | 1,884.33 | —3.12 % |
| **Hong Kong** | | | |
| Hang Seng | 2,986.33 | 3,076.30 | —2.92 % |
| **World** | | | |
| MSCIP | 478.80 | 487.90 | —1.87 % |

*World Index From Morgan Stanley Capital Int'l.*

### Money Rates

| United States | Apr. 27 | Apr. 20 |
|---|---|---|
| Discount rate | 7.00 | 7.00 |
| Federal funds rate | 8 3/16 | 8 3/16 |
| Prime rate | 10.00 | 10.00 |
| **Japan** | | |
| Discount | 5¼ | 5¼ |
| Call money | 7 3/16 | 7 1/16 |
| 3-month interbank | 7 5/16 | 7 5/16 |
| **West Germany** | | |
| Lombard | 8.00 | 8.00 |
| Call money | 7.45 | 7¼ |
| 3-month interbank | 8.30 | 8¼ |
| **Britain** | | |
| Bank base rate | 15.00 | 15.00 |
| Call money | 14 15/16 | 15.00 |
| 3-month interbank | 15 5/16 | 15¼ |

| Gold | Apr. 27 | Apr. 20 | Ch'ge |
|---|---|---|---|
| London p.m. fix $ | 371.60 | 376.00 | —1.17 % |

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Dividend Notice

By resolution of the Annual General Meeting held on April 24, 1990 a dividend of ECU 0.07 per share class 'A' and per share class 'B' is declared payable on or after April 30, 1990 to registered shareholders on record on April 24, 1990 and to holders of bearer shares upon presentation of coupon No 3. The shares are quoted ex-dividend as from April 24, 1990.

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# WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 323 11 30. Prices may vary according to market conditions and other factors. April 27

## Australian Dollars

## Canadian Dollars

| Issuer | Con | Mat | Price | Yld | Spd Trsy |
|---|---|---|---|---|---|
| A I D C | 10 | 91 | 96¼ | 14.45 | +76 |
| A I D C | 10⅛ | 93 | 89 | 14.63 | +124 |
| A K Z O | 9¾ | 90 | 98½ | 14.97 | +38 |
| A K Z O | 11 | 93 | 94½ | 14.97 | +128 |
| Abbey Natl | 10⅝ | 94 | 88¾ | 14.80 | +92 |
| Abbey Natl | 10⅛ | 93 | 90 | 14.80 | +130 |
| Alberta Prov | 10⅛ | 94 | 90⅞ | 13.66 | +56 |
| Amer Genl | 10 | 91 | 94 | 14.97 | +128 |
| Amex | 10⅛ | 90 | 97¼ | 13.80 | +11 |
| Amex | 10⅛ | 90 | 97½ | 14.19 | +50 |
| Arco Fin | 11 | 93 | 90½ | 14.73 | +137 |
| Asik-Coer | 10⅛ | 91 | 93¾ | 15.04 | +135 |
| Asik-Coer | 11½ | 91 | 97 | 15.04 | +135 |
| Austri Control | 10⅛ | 92 | 93½ | 13.77 | +21 |
| Austri Control | 10⅛ | 99 | 85¾ | 13.09 | +72 |
| Austri Control | 9 | 97 | 91½ | 10.80 | -184 |
| Austri Sparkas | 9⅞ | 92 | 91¼ | 14.38 | +70 |
| Austria | 10 | 91 | 96 | 13.00 | +44 |
| Avco Fin Serv | 10⅛ | 92 | 91¼ | 15.15 | +153 |
| Avco Fin Serv | 11⅛ | 92 | 93 | 15.08 | +153 |
| B C Province | 13⅛ | 91 | 98¼ | 14.69 | +100 |
| B C Province | 9⅞ | 96 | 83 | 13.65 | +78 |
| B C Telephone | 12⅛ | 89 | 94¾ | 14.26 | +69 |
| B F C E | 10 | 94 | 88¾ | 13.77 | +67 |
| B N P | 11⅛ | 92 | 96 | 13.75 | +6 |
| B N P | 10⅛ | 94 | 88 | 13.96 | +48 |
| B N P | 10⅛ | 92 | 94½ | 14.80 | +111 |
| Bacob Finance | 11⅞ | 91 | 97 | 15.07 | +140 |
| Barclays | 10⅛ | 93 | 91¼ | 13.82 | +41 |
| Bayernhyp Fin | 10⅛ | 92 | 91¼ | 14.35 | +80 |
| Bca Lavoro | 11⅛ | 91 | 97 | 14.91 | +122 |
| Bell Canad Reg | 9⅞ | 96 | 93½ | 11.41 | -135 |
| Bell Canada | 10⅛ | 99 | 84⅝ | 13.19 | +62 |
| Bell Canada | 10⅛ | 04 | 85½ | 13.14 | +111 |
| Bell Canada | 10⅛ | 90 | 98½ | 14.13 | +44 |
| Bell Canada | 10 | 91 | 96 | 14.85 | +116 |
| Bell Canada | 9⅝ | 06 | 78 | 12.64 | +71 |
| Bell Enterpris | 9⅝ | 93 | 89¾ | 14.03 | +58 |
| Berger City | 8⅝ | 94 | 83½ | 14.36 | +118 |
| Berliner Bk | 10⅛ | 91 | 94 | 14.47 | +78 |
| Bhf-Bk Fin | 10⅛ | 92 | 92 | 14.49 | +91 |
| Bk Montr Reall | 10⅛ | 92 | 91½ | 14.86 | +132 |
| Bk Montr Reall | 9⅝ | 96 | 83¾ | 13.61 | +85 |
| Bk Montreal | 10⅛ | 90 | 97¼ | 14.55 | +86 |
| Bk Montreal | 10⅛ | 91 | 93¾ | 15.17 | +148 |
| Bk Montreal | 11⅛ | 91 | 96½ | 15.21 | +152 |
| Bk Nova Scotia | 9⅝ | 97 | 90 | 11.68 | -78 |
| Bk Tokyo | 10⅛ | 92 | 93¾ | 14.53 | +124 |
| Bk Tokyo | 8½ | 94 | 83 | 14.90 | +120 |
| Bmw Fin | 10⅛ | 95 | 86¼ | 13.97 | +110 |
| Borden Inc | 10⅛ | 93 | 89¾ | 14.35 | +108 |
| Bq Intl Lux | 11 | 92 | 101½ | 10.25 | -328 |
| Bq Paribas | 10⅛ | 91 | 97¼ | 15.02 | +133 |
| Brit Colomb | 9⅝ | 93 | 89½ | 13.92 | +44 |
| Brit Colomb | 9⅝ | 90 | 96¾ | 14.16 | +47 |
| Brit Columb | 12⅛ | 91 | 96½ | 14.72 | +103 |
| Brit Columb | 12 | 93 | 93½ | 14.36 | +108 |
| Brit Columb | 9⅝ | 01 | 79 | 13.05 | +63 |
| C B A | 9½ | 92 | 92¼ | 14.88 | +119 |
| C C J Quebec | 10 | 91 | 93¾ | 14.89 | +120 |
| C E P M E | 10 | 91 | 97½ | 11.59 | -210 |
| C I B C | 10⅛ | 90 | 98 | 14.51 | +82 |
| C I B C | 9⅞ | 91 | 94¾ | 14.56 | +77 |
| C I B C | 10⅛ | 91 | 95¾ | 14.57 | +88 |
| C I B C | 9⅝ | 91 | 95¼ | 14.51 | +82 |
| C I B C | 11⅛ | 91 | 97½ | 14.34 | +65 |
| C I B C | 11⅛ | 91 | 101½ | 10.48 | -321 |
| C I B C | 9 | 92 | 89¾ | 14.91 | +127 |
| C I B C Sing | 11⅛ | 94 | 93 | 14.16 | +98 |
| C N T | 9½ | 94 | 87 | 14.21 | +95 |
| Can Natl Rallw | 9⅝ | 94 | 87½ | 14.25 | +105 |
| Can Natl Rallw | 12½ | 95 | 95½ | 13.80 | +88 |
| Can Natl Rallw | 9⅝ | 96 | 82 | 13.73 | +102 |
| Canada | n.a. | 01 | 29 | 11.98 | -34 |
| Canada Treas | 9⅝ | 99 | 84⅝ | 12.37 | -3 |
| Canada Trust | 9⅝ | 92 | 93 | 14.59 | +90 |
| Can Trustco | 10⅛ | 93 | 89½ | 14.66 | +122 |
| Canadian Pacif | 10⅛ | 90 | 96 | 14.18 | +49 |
| Carlsberg | 10 | 97 | 83½ | 13.70 | +111 |
| Can Natl Rallw | 11⅛ | 93 | 93½ | 14.05 | +63 |
| Chrysler | 10 | 91 | 95½ | 15.07 | +138 |
| Chrysler | 12⅛ | 92 | 95¼ | 15.09 | +145 |
| Chrysler Fin | 11 | 93 | 91½ | 14.92 | +141 |
| Coca-Cola | 11 | 93 | 84½ | 14.62 | +131 |
| Commerzbank | 10⅛ | 92 | 86½ | 14.46 | +91 |
| Commun Urb | 8⅝ | 97 | 79½ | 12.60 | +98 |
| Cr Lyonnais | 11⅛ | 90 | 97¼ | 14.51 | +82 |
| Cr Suisse | n.a. | 00 | 30½ | 12.93 | +61 |
| Creditanst | 9⅝ | 91 | 93 | 15.05 | +136 |
| Creditanst | 10⅛ | 94 | 101½ | 9.91 | -312 |
| Cresem Fin | 12 | 92 | 95 | 14.54 | +94 |
| Dai-Ichi Kb | 9½ | 92 | 90½ | 14.76 | +115 |
| Denmark | 11⅛ | 91 | 97¼ | 14.87 | +118 |
| Denmark | 9⅝ | 92 | 91¼ | 14.71 | +102 |
| Deut Bk | 9⅝ | 92 | 91 | 14.78 | +116 |
| Deut Bk | 9 | 94 | 86¼ | 13.78 | +57 |
| Deut Bk Fin | 10⅛ | 99 | 84⅝ | 13.06 | +74 |
| Deut Giro-Okb | 10⅛ | 92 | 92½ | 14.14 | +55 |
| E D C | 9½ | 93 | 89¾ | 13.83 | +38 |
| E D C | n.a. | 96 | 58½ | 12.60 | -20 |
| E D F | 10⅛ | 95 | 88⅝ | 13.38 | +48 |
| E D F | 9⅝ | 99 | 82¼ | 13.12 | +76 |
| E E C | 11⅛ | 91 | 97 | 14.64 | +95 |
| E I B | 10⅛ | 98 | 85¾ | 13.09 | +58 |
| E I B | 10⅛ | 99 | 84⅜ | 13.07 | +73 |
| E I B | 9½ | 91 | 93 | 14.61 | +92 |
| E I B | 12 | 95 | 93¼ | 13.47 | +57 |
| E I B | 9⅞ | 99 | 81¼ | 13.58 | +83 |
| Eldorado Nucle | 11⅛ | 93 | 95 | 13.93 | +45 |
| Electrolux | 9½ | 91 | 95¼ | 15.07 | +138 |
| Eurofima | 10⅛ | 96 | 82 | 12.10 | -49 |
| Exportfin | 10⅛ | 94 | 93 | 13.95 | +67 |
| Exportfin | 10⅛ | 94 | 89½ | 13.90 | +65 |
| F B D B | 11½ | 92 | 95¼ | 13.92 | +23 |
| F B D B | 10⅛ | 91 | 96 | 13.76 | +7 |
| F B D B | 9 | 91 | 93 | 14.79 | +110 |
| F B D B | 10⅛ | 92 | 91¼ | 14.55 | +66 |
| F B D B | 10⅛ | 91 | 96 | 8.32 | -537 |
| F B D B | 9⅝ | 91 | 94¼ | 14.74 | +105 |
| F B D B | 11⅛ | 92 | 95½ | 14.66 | +97 |
| Farm Credit | 12⅛ | 90 | 98¼ | 14.07 | +38 |
| Farm Credit | 9⅝ | 91 | 95¼ | 14.81 | +112 |
| Farm Credit | 9 | 91 | 94¾ | 14.66 | +97 |
| Farm Credit | 10 | 92 | 94¼ | 14.64 | +115 |
| Farm Credit | 12½ | 92 | 94½ | 14.54 | +107 |
| Ferrovie Stato | 10⅛ | 93 | 93 | 13.83 | +54 |
| Fiat Fin Trade | 9½ | 92 | 95¼ | 15.15 | +146 |
| Fiat Fin Trade | 10⅛ | 93 | 95¼ | 14.23 | +94 |
| Fin Dan Ind | 10⅛ | 91 | 97 | 14.58 | +89 |
| Fin Exp Cr | 11⅛ | 93 | 94¼ | 14.07 | +57 |
| Fin Exp Cr | 10⅛ | 91 | 96¼ | 14.85 | +116 |
| First Austrian | 9⅝ | 91 | 93¼ | 14.52 | +83 |
| Ford Cred | 11⅛ | 92 | 95 | 13.77 | +22 |
| Ford Cred Can | 10⅛ | 93 | 93¾ | 14.04 | +44 |
| Ford Cred Can | 10⅛ | 93 | 93 | 13.89 | +40 |
| Ford Cred Can | 10 | 94 | 88¾ | 13.81 | +71 |
| Ford Cred Can | 9 | 92 | 91¼ | 14.93 | +124 |
| Ford Cred Can | 10⅛ | 92 | 92¼ | 14.80 | +123 |
| Ford Cred Can | 10 | 92 | 91¾ | 14.81 | +117 |
| Ford Cred Can | 10 | 93 | 92¼ | 14.60 | +114 |
| Ford Cred Can | 10⅛ | 93 | 89 | 14.35 | +105 |
| Ford Motor Cr | 11⅛ | 92 | 96 | 13.73 | +4 |
| Ford Motor Cr | 11⅛ | 92 | 96¼ | 13.97 | +31 |
| Ford Motor Cr | 10⅛ | 96 | 88½ | 13.88 | +109 |
| Ford Motor Cr | 10⅛ | 90 | 98¼ | 14.15 | +46 |
| Gaz De Fra | 11⅛ | 95 | 94 | 13.49 | +65 |
| Gaz Metrop | 10⅛ | 95 | 87 | 14.07 | +125 |
| Gen Ele Cap | 10⅛ | 93 | 91 | 13.65 | +31 |
| Gen Ele Cap Ca | 9⅝ | 93 | 89½ | 13.87 | +41 |
| Gen Ele Cap Ca | 10⅛ | 94 | 88⅝ | 13.83 | +78 |
| Gen Motors | 9¼ | 91 | 92 | 15.00 | +131 |
| GM Canada | 9¼ | 91 | 92 | 15.80 | +131 |

## ECU Straights

## Pound Sterling

## Yen Straights

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# MUTUAL FUNDS

Figures as of close of trading Friday, April 27.

NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

## New International Bond Issues

Compiled by G. Jennifer Shapiro

| Issuer | Amount (millions) | Mat. | Coup. % | Price | Price end week | Terms |
|---|---|---|---|---|---|---|
| **'loating Rate Notes** | | | | | | |
| Pearl Street A | $106 | 2002 | 3/8 | 99.65 | — | Over the 6-month Libor. Redeemable in 1995. Fees undisclosed. (Goldman Sachs Int'L) |
| Santander Financial Issuances | $200 | Undat | 57½ | 100 | — | Over the 6-month Libor. Rises to 60 basis points in years 6-10 thereafter spread undisclosed. Fees undisclosed. (Shearson Lehman Hutton Int'L) |
| Halifax Building Society | DM 300 | 1995 | 1/32 | 100¼ | — | Over the 6-month Libor. Noncallable. Fees 0.20%. (Westlb.) |
| Oesterreichische Kontrollbank | DM 300 | 1995 | 15 | 100.15 | — | Below the 6-month Libor. Callable at par once in 1993. Fees 0.22%. (CSFB-Effectenbank.) |
| Heller Finance | Y 10,000. | 1995 | Flat | 100.15 | — | Will be the 6-month Libor. Callable and redeemable at par in 1992. Fees 0.15%. (Goldman Sachs Int'L) |
| **'ixed-Coupons** | | | | | | |
| Daiwa Overseas Finance | $67 | 2000 | 10 | 102 | — | Callable at par once in 1994. Fees 2%. Denominations $10,000. (Morgan Stanley Int'L) |
| Japan Finance Corp. For Municipal Ent. | $150 | 2000 | 9¾ | 101¼ | 99.35 | Noncallable. Fees 2%. (Bank of Tokyo Capital Markets.) |
| World Bank | DM 750 | 2000 | 8¾ | 99⅞ | 98.875 | Noncallable. Fungible with previous bond issued May 1990. Fees 1⅞%. (Deutsche Bank.) |
| Cheltenham & Gloucester Building Society | £75 | 1992 | 15⅝ | 101.15 | 99.95 | Noncallable. Fees 1⅛%. (J.P. Morgan Securities.) |
| Interfinance Crédit National | FF 500 | 1993 | 10¼ | 101 | 99.65 | Noncallable. Fees 1%. (Banque Paribas Paris.) |
| Société Nationale des Chemins de Fer Français | FF 1,250. | 1997 | 9¼ | 98.30 | 96.60 | Noncallable. Fungible with a previous bond issued Aug. 1989. Fees 1⅞%. (Crédit Commercial de France.) |
| General Electric | ITL 130,000 | 1993 | 13 | 101½ | 100.70 | Noncallable. Fees 1⅞%. (Banca Nazional Del Lavoro.) |
| Export-Import Bank of Korea | ECU 100 | 1995 | 11 | 101⅝ | — | Callable and redeemable at par in 1993. Fees 1⅞%. (Merrill Lynch Int'L) |
| MI Bank International | ECU 100 | 1994 | 10¾ | 101⅝ | 99.75 | Noncallable. Fees 1⅝%. (Bankers Trust Int'L) |
| Spain | ECU 500 | 1995 | 10⅝ | 100.20 | 99.80 | Noncallable. Fees 1⅞%. Denomination 100,000 Ecus. (Banco Bilbao Vizcaya.) |
| Canadian Imperial Bank of Commerce | C$75 | 1993 | 14 | 101.95 | 100.50 | Noncallable. Fees 1%. (Woody Gundy.) |
| BM Canada | C$150 | 1995 | 13½ | 101¾ | 100.45 | Noncallable. Fees 1⅞%. (Credit Suisse First Boston.) |
| …nto-Dominion …nk | C$100 | 1992 | 14⅛ | 101.85 | 100.72 | Noncallable. Fees 1⅛%. (Scotiamcleod.) |
| ANZ Banking Group | Aus$ 50 | 1992 | 16 | 101.95 | 100.82 | Noncallable. Fees 1¼%. (Fay Richwhite.) |
| Shell Australia | Aus$ 100 | 1995 | 15¼ | 101.80 | 100.00 | Noncallable. Fees 2%. (Hambros Bank.) |
| Asian Development Bank | Y 20,000. | 2000 | 7¼ | 101¾ | — | Noncallable. Fees 1⅞%. (IBJ Int'L) |
| Christiania Bank Og Kreditkasse | Y 10,000. | 1993 | 7½ | 101⅜ | — | Noncallable. Fees 1⅞%. (Nomura Int'L) |
| General Electric Capital | Y 20,000. | 1993 | 7⅝ | 101⅜ | — | Noncallable. Fees 1⅞%. (DKB Int'L) |

## EURO: *Inflation Fears Augment Market Nervousness*

(Continued from first finance page)

…onnell Douglas Corp. is to cut …000 jobs, Lockheed Corp. 2,750 …d General Electric Co. 4,200 over …e next two years.

Additional clues will be sought …om the survey of purchasing …anagers due out Tuesday, the …ding indicators on Wednesday …d car sales on Thursday.

Given that market interest rates …nging from three-month inter…nk deposits to 30-year Treasury …nds have moved up by about half …percentage point since the start of …e month, a ¼-point tightening by …e Fed in the federal funds rate …ould only represent a partial …tching up of this rate to market …els.

To be really convincing, said Mr. … Vries, the Fed would have to …. the federal funds rate, now at …/16 percent, by half a percent…e point.

Mr. Wilmot noted that "the mar… has already tightened and if the …d does nothing it runs the risk of …ing seen as shrugging off the …reat of inflation. It's better to …se rate a little now and boost its …dibility."

Mr. de Vries concurred, warning that the longer the Fed waits to move, the more forceful its action will need to be.

The danger for the U.S. central bank is that such a move would confirm the rise in market rates, which might not be justified if growth and inflation are not as robust as is now feared.

On the other hand, there is also the risk that market rates will continue to rise if investors are not convinced the Fed is justified in sitting on its hands.

Whether justified or not, the rise in market rates represents a *de facto* tightening of credit policy. Coupled with the reports of a credit crunch resulting from a shift to more stringent bank regulation that is making banks less willing to make new loans, there is a danger that scarcity of credit will ultimately drive the economy into a recession.

Yet a further complication is the attitude of the Japanese. Except for February, when they were small net buyers of foreign securities, the Japanese so far this year have been net sellers — removing an important source of cash to finance the U.S. budget deficit and implying further upward pressure on rates.

Looking at the future without regard to the economic fundamentals and using only charts to predict where markets are headed, the New York analyst Steven Blitz said he sees further falls in bond prices lifting the yield on the 30-year Treasury bond to around 10 percent by mid-year.

Near-term, on the same technical basis, he said the dollar will weaken — possibly to a low of 1.60 DM and 150 yen — and then begin a substantial recovery after mid-year.

Against this kind of background, there was only very limited demand in the Eurobond market. There was a flurry of floating-rate notes in dollars, marks and yen, which offer the best protection against rising interest rates. There was also a pick-up in activity for fixed-rate paper denominated in yen.

But apart from the market for European currency units, where Spain sold 500 million ECUs ($607.9 million) of five-year notes and the Export-Import Bank of Korea sold 100 million ECUs of five-year notes, there was scant demand for fixed-coupon investments.

## TRUMP: *Cold Numbers Belie Developer's Hot Image*

(Continued from first finance page)

…ay be further adversely affected … the April 1990 opening of the …j Mahal and the completion of …pansions currently under way at …er hotel-casinos."

In addition, starting in June, …ump's Castle annual interest ex…nses will go up sharply, as the …sino starts contributing to a sink…g fund to retire some of its bonds.

Using some borrowed money …d some of its own cash, the casi… has already provided for this …ar's payment.

But the SEC filing warns that the …astle's sinking-fund obligations, …n conjunction with the partner…ip's other debt service, capital …penditure and other working …pital requirements, create cash …eds that exceed anticipated an…al cash flows from operations for …90 and beyond."

Such shortfalls can be met with …re borrowed money, of course.

Indeed, last year Trump's Castle …gmented its skimpy cash flow by …iting a $2 million personal loan …m Mr. Trump and an $8.7 million infusion of new capital, the SEC documents show.

And the accountants reported that the Castle partnership "anticipates receiving additional partners' contributions and/or loans to satisfy expected cash requirement shortfalls in 1990."

The Castle's ability to meet its cash needs next year and beyond, the report continued, will hinge in part on how well it can cope with the additional gaming capacity added by the Taj.

It also will partly depend on "the ability and willingness" of Mr. Trump to make additional capital contributions.

That "ability and willingness" on Mr. Trump's part must be weighed in light of his announcement last week that he now has a marked preference for liquid assets.

"Right now, cash is king," he said on Friday, in confirming his willingness to sell the Trump Shuttle "if the price were right."

Mr. Trump's accumulation of cash could be deemed positive for his casino bondholders, since it presumably would increase his ability to make capital contributions.

As for his willingness? While Mr. Trump insisted he has no plans to sell his casinos, he said that he might refinance them or possibly sell a portion of his equity to the public.

"Taking the Atlantic City properties public is always something I would consider," he said, "and I have the absolute right to do whatever I want in terms of selling the properties or taking them public."

Of course, any potential equity investors would take a long, hard look at the recent SEC filings.

And those reports show that even before the Taj opened its doors, the fierce competition in Atlantic City was hurting both the Castle and the Plaza.

One way of measuring a casino's performance is to look at cash flow.

The SEC statement shows that the cash flow at Trump's Castle plunged from $33.7 million in 1988, to $183,000 last year.

If the trend continues, as the accountants have warned is likely, the Trump partnerships could face some unpalatable choices: defer capital projects; carry them out with more borrowed money, or contribute additional capital.

## MILKEN: *Financier's Reputation Rests With History*

(Continued from first finance page)

…sity in New York. "Remember, if …re hadn't been a Great Depres…n, Herbert Hoover might be con…ered a statesman of stature."

Whether he ends up a hero or a …n, Mr. Milken has cinched a …ce in the history texts. As is …n pointed out, he became the …st important financier of the …0s by pioneering the high-yield, …-rated bonds that helped fuel a …eover boom, forced companies … restructure and in some cases …e them the funds to grow.

The securities investigation that …ught him down was the most …reaching in history. His $600 …lion settlement set a record; his …7 earnings of $550 million alone …rantee him a place in the popu… imagination.

What is more, the Wall Street …uption scandal that humbled … was like few in U.S. history in … way it alleged corruption at the … heart of the financial world.

…ut since Mr. Milken pleaded guilty to just six counts, reduced from the 98 included in the March 1989 indictment, the government may never be able to persuade the world that his crimes were nearly that extensive.

Far more important to the world's judgment of him may be what emerges from further investigation of Wall Street and the savings-and-loan industry. Though Mr. Milken cannot be prosecuted for the information he provides, if he implicates others he could help persuade the world that the government's far-reaching conspiracy did exist and in so doing further blemish his own name.

Government officials are believed to be particularly interested in finding out what he knows about Lincoln Savings of Irvine, California, CenTrust Savings Bank of Miami and Columbia Savings of Beverly Hills, California.

Mr. Milken's name could be more closely associated with the S&L crisis in the public's mind if authorities uncover more securities violations there, or if it appears that junk-bond investments played a larger role in the S&L failures than has so far been understood. About 7 percent of junk bonds have been sold to the savings-and-loan industry.

"It will make him look more like a sharpie and less like a force of nature," said Daniel Raff, an assistant professor of business history at Harvard Business School.

Mr. Milken's reputation could also be harmed if more insurance companies with big junk portfolios develop financial problems, or if industrial companies built with junk funding are forced to reorganize because of a recession or other reasons.

If a series of junk-funded companies continue the pattern of bankruptcies set by Federated Department Stores Inc., Allied Stores Corp., Revco D.S. Inc. and others, they may obscure the public's memory of the junk successes, such as MCI Communications Corp. and Turner Broadcasting System, Inc.

## Bond Yields Rise Past 9% Amid Fed Policy Fears

*Compiled by Our Staff From Dispatches*

NEW YORK — U.S. Treasury bonds yields pushed above the 9 percent level for the first time in a year last week amid fears that stronger economic growth and higher inflation would cause the Federal Reserve Board to tighten credit.

The bellwether U.S. issue, the 8.5 percent bonds that mature in 2020, closed Friday at 94 19/32 to yield 9.02 percent, down from 95 15/32 to yield 8.94 percent a week earlier.

Dealers said that much of the price decline came on rumors that Friday's report on first-quarter

### U.S. CREDIT MARKETS

gross national product would show strong growth and rapidly rising inflation.

In the event, the rumors proved only half true. First-quarter growth, at 2.1 percent, was less than analysts had forecast but still nearly double the 1.1 percent rate of the 1989 fourth quarter.

But inflation, according to the Commerce Department's fixed-weight price deflator, climbed to 6.5 percent in the first quarter from 5.5 percent in the last quarter of 1989.

"Given the fact that the fixed-income market is now predisposed to negative news, the size of the rise in the GNP was quickly overshadowed by the deflator number," said Steven R. Ricchiuto, chief economist at Barclays de Zoete Wedd Securities Corp.

Mr. Ricchiuto said the negative reaction to the data was heightened by nervousness over the approaching U.S. Treasury refunding and a spate of economic reports scheduled for release this week.

On Wednesday, the Treasury is expected to announce plans to auction at least $31 billion of notes and bonds, up from $30 billion in the previous refunding last fall.

The main worry is that Japanese investors may shun the sales, preferring instead to deploy their assets in the depressed Tokyo stock market.

Among the economic reports to be released this week, economists said that the the U.S. purchasing managers report for April, due Tuesday, and the April employment report, due Friday, will likely determine whether interest rates continue their recent upward jag.

Most economists say that the reports are not expected to offer much solace to the beleaguered bond market.

They said the purchasing managers index, which reflects the spending plans of major U.S. corporations, could move above the 50 percent level from 48.8 percent March. Such a reading would mean that the U.S. manufacturing economy has again begun to expand.

The employment data are expected to show a big rise of about 382,500 in nonfarm payroll employment, again suggesting an upward turn in U.S. growth.

In the short-term markets last week, Treasury bill rates were mixed. Three-month rates eased to 7.74 percent from 7.76 percent a week earlier, while six-month rates climbed to 7.96 percent from 7.91 percent the previous week.

Dealers said that continuing weakness in the stock market caused a shift of some funds to three-month bills. *(NYT, Reuters)*

## Euromarts At a Glance

### Eurobond Yields

| | Apr. 25 | Apr. 18 |
|---|---|---|
| U.S. $, 8 yrs & over | 9.60 | 9.52 |
| U.S. $, 5 to 7 yrs | 9.50 | 9.47 |
| U.S. $, less than 5 yrs | 9.15 | 9.16 |
| Pounds sterling, less than 5 yrs | 14.92 | 14.75 |
| French franc, less than 5 yrs | 10.29 | 10.58 |
| Ital. lire, less than 5 yrs | 12.49 | 12.62 |
| Danish krone, less than 5 yrs | 10.98 | 10.95 |
| ECU, 8 yrs & over | 10.71 | 10.68 |
| ECU, 5 to 7 yrs | 10.87 | 10.90 |
| Can. $, less than 5 yrs | 13.54 | 13.47 |
| Aus. $, less than 5 yrs | 15.66 | 15.35 |
| N.Z. $, less than 5 yrs | 13.32 | 13.17 |
| Yen, 5 to 7 yrs | 7.20 | 7.17 |
| Yen, less than 5 yrs | 7.49 | 7.47 |

Source: Luxembourg Stock Exchange.

### Weekly Sales

April 27

Primary Market

| | Cedel $ | Cedel Non$ | Euroclear $ | Euroclear Non$ |
|---|---|---|---|---|
| Straights | 13.50 | 790.70 | 214.70 | 437.80 |
| Convert. | — | 16.50 | — | 20.10 |
| FRNs | 12.50 | 374.80 | 277.50 | 431.50 |
| ECP | 5,201.80 | 1,327.50 | 11,113.60 | 3,115.00 |
| Total | 5,227.80 | 2,508.70 | 11,605.80 | 4,004.40 |

Secondary Market

| | Cedel $ | Cedel Non$ | Euroclear $ | Euroclear Non$ |
|---|---|---|---|---|
| Straights | 2,429.60 | 8,999.80 | 9,115.70 | 10,614.80 |
| Convert. | 148.80 | 412.10 | 455.20 | 254.80 |
| FRNs | 838.70 | 1,782.20 | 2,308.30 | 2,783.00 |
| ECP | 3,284.40 | 2,225.20 | 3,298.40 | 2,927.60 |
| Total | 6,501.50 | 13,419.30 | 15,169.80 | 16,581.40 |

Source: Euroclear, Cedel.

### Libor Rates

April 27

| | 1-month | 3-month | 6-month |
|---|---|---|---|
| U.S. $ | 8½ | 8 11/16 | 9 5/16 |
| Deutsche mark | 8 1/16 | 8⅞ | 9 3/16 |
| Pound sterling | 15 1/16 | 15⅛ | 15½ |
| French franc | 9⅞ | 9 11/16 | 10 1/16 |
| ECU | 10 7/16 | 10 11/16 | 11 |
| Yen | 7 5/16 | 7 7/16 | 7 11/16 |

Source: Morgan Guaranty, Lloyds Bank, Reuters.

### U.S. Treasury Bonds

April 27

| Maturity | Close Bid | Ask | Yield | Wk.-ago yield |
|---|---|---|---|---|
| 29.02.92 | 99 17/32 | 99 20/32 | 8.96 | 8.82 |
| 15.02.93 | 98 12/32 | 98 14/32 | 9.04 | 8.88 |
| 31.12.94 | 98 7/32 | 98 9/32 | 9.05 | 8.89 |
| 15.05.95 | 97 27/32 | 97 29/32 | 9.02 | 8.87 |
| 15.01.97 | 97 4/32 | 97 6/32 | 9.07 | 8.95 |
| 15.07.00 | 96 14/32 | 96 18/32 | 9.04 | 8.95 |
| 15.02.06 | 101 29/32 | 102 1/32 | 9.14 | 9.02 |
| 15.02.20 | 94 18/32 | 94 20/32 | 9.03 | 8.94 |

Source: Salomon Inc.

### U.S. Consumer Rates

April 27

| | |
|---|---|
| Tax Exempt Bonds | |
| Bond Buyer 20-Bond Index | n.a. % |
| Money Market Funds | |
| Donoghue's 7-Day Average | 7.69 % |
| Bank Money Market Accounts | |
| Bank Rate Monitor Index | 7.74 % |
| Home Mortgage, FHLB average | n.a. % |

Source : New York Times.

## Loans Offer Array of Options

By Carl Gewirtz

*International Herald Tribune*

PARIS — Banks are syndicating a variety of international credits, giving lenders a wide array of options — high-margin project loans, high-margin and high-risk buyout loans and a smattering of standard credits.

Chase Manhattan and Crédit Lyonnais have been appointed to arrange the $680 million financing of

### INTERNATIONAL CREDIT

an aluminum smelter in Dunkerque being constructed by Pechiney.

The borrowing will be done in the name of Aluminium Dunkerque, a special company set up for the purpose, eliminating any recourse by the lenders to Pechiney.

Until completion of the plant, expected in 1992, interest on the loan is set at ⅝-point over the London interbank offered rate. Thereafter, depending on the level of debt still outstanding and the cash flow of the company, the margin will range between ⅝ and ¾ point over LIBOR. The maturity of the loan is a maximum of 15 years with principal repayments scheduled to begin in 1993.

Another project financing, for Norske Skogindustrier, is being arranged by Banque Nationale de Paris and Christiania Bank.

The actual borrower is Papeteries de Golbey, which will operate a newsprint mill in Golbey, France. The total credit amounts to 1.88 billion French francs ($334 million). Of this, 1.76 billion is a limited-recourse facility running for 11 years. Interest will range between ⅝-point and 1 percentage point over the interbank rate, depending on the amount of the facility drawn and the financial performance of the borrower.

The remaining 120 million francs is a working-capital facility of five years, which decreases to 100 million francs after three years. Interest will range from ⅜ to ½ point over the interbank rate, depending on the maturity of the drawings.

Charterhouse PLC is arranging for the management buyout of the European operations of Del Monte. The Del Monte property had previously been spun off by RJR Nabisco Inc. to a consortium led by Merrill Lynch and the European operations are now being purchased by managers and a consortium of investors led by Charterhouse.

The $375 million purchase consists of $136 million in equity and $282.6 million in debt, including some working capital that will not be drawn immediately.

This will consist of $85.2 million to be drawn 60 percent in French francs and 40 percent in Deutsche marks, $57.4 million that will be drawn entirely in sterling and $60 million of a revolving-credit facility to be drawn as needed. These loans will run for seven years, with principal paid only at final maturity, carrying interest of 1¾ points over LIBOR. There will be a commitment fee of ⅜ percent on any undrawn amounts.

The equivalent of $80 million will be raised in Deutsche marks and will carry options to purchase stock. This loan will run for 11 years paying interest of 3½ points over LIBOR.

Charterhouse officials said that the currency drawings are set to match the expected revenue stream of Del Monte.

Electricity Corp. of New Zealand, wholly owned by the government but not carrying an explicit state guarantee, is seeking $200 million in a five-year loan being arranged by Banque Nationale de Paris. Interest will be set at 35 basis points over LIBOR.

A group of Japanese banks led by Sumitomo Bank is arranging a one-year loan of $50 million to the Development Bank of Turkey. Interest is set at 40 basis points over LIBOR and front-end fees add another 10 basis points.

In the quasi-equity market, SE Banken of Sweden is raising Tier 2 capital through the sale of $200 million of perpetual floating-rate notes.

## *Debt Problem Slows Progress In UN Talks*

*Reuters*

UNITED NATIONS, New York — A UN General Assembly session on international economic cooperation, which was scheduled to end Saturday, has been extended until Monday because of difficulties in drafting a concluding document, according to a United Nations spokesman.

A source involved in closed-door negotiations said Saturday that the main problems were over language dealing with debt and development aid.

These issues, particularly debt rescheduling or forgiveness, are at the heart of long-standing differences between Third World nations and some developed countries, particularly the United States.

Washington believes that debt should be dealt with on a country-by-country basis and not according to a global formula.

Despite difficulties over the final document, the special session, which began April 23, has been largely free of the recriminations that often characterized previous North-South encounters on ·

## *Japan Reverses Trend Of Capital Outflows*

*Agence France-Presse*

TOKYO — Japanese investors sold more foreign securities than they bought in March, reversing a longtime trend of outward capital flow, according to figures obtained Sunday.

The shift came as foreign investors fled the Japanese stock market, which has slid steeply since the start of the year.

The international transfer figures are to be released Wednesday when balance-of-payments figures are published.

They show capital flows out of Japan slowing significantly during the first quarter of 1990 and actually reversing in March, when returning net capital totaled $2 billion.

In January and February, conversely, Japan recorded net capital outflows of $1.9 billion and $6.2 billion for foreign securities.

Japanese investment in foreign capital markets has increased steadily over the past few years, though specific monthly statistics for previous years were not immediately available.

In March, however, Japanese investors sold foreign bonds worth $1.7 billion and foreign shares worth $300 million. U.S. Treasury bonds likely accounted for most of the sales, experts said.

The figures showed that during the same month, foreigners sold $6.4 billion more than they bought in Japanese securities: net foreign sales on the Tokyo Stock Exchange totaled $7.3 billion in March while net purchases of $900 million in bonds continued. The figures show a significant slowing of capital leaving Japan for the whole first quarter of 1990.

The balance between Japanese investment abroad and foreign investments in Japan shows a net capital exit of $12.6 billion, compared with $36.8 billion in the last quarter of 1989.

The figures to be published Wednesday will differ slightly, as Japanese officials will cut out some information.

## WALL STREET REVIEW

Figures as of close of trading Friday, April 27.

### NYSE Most Actives

| | Vol. | High | Low | Last | Chng. |
|---|---|---|---|---|---|
| Norton | 92458 | 89⅝ | 75¼ | 88⅝ | +11⅛ |
| PhilMr s | 81964 | 42½ | 40⅝ | 41½ | + ½ |
| vlAmesD | 80574 | 2 | 1⅛ | 1⅜ | — ⅛ |
| HarBrJ | 77817 | 4¼ | 3⅛ | 3⅝ | — ⅝ |
| BrMySq | 72903 | 56 | 51¾ | 55⅝ | +2⅝ |
| Citicorp | 65688 | 23¼ | 21¾ | 21⅞ | —1 |
| Chase | 64907 | 27⅜ | 25 | 25¼ | —1⅛ |
| GenEl | 63393 | 65⅝ | 63⅞ | 63⅞ | —1⅝ |
| IBM | 61941 | 110⅝ | 107⅛ | 107⅞ | —2 |
| duPont s | 59835 | 37⅞ | 36⅞ | 37⅛ | + ½ |
| USX | 58360 | 34½ | 32⅞ | 33⅛ | — ⅜ |
| Chryslr | 51471 | 16⅛ | 14⅝ | 14⅝ | —1½ |
| McDnl s | 45343 | 31½ | 30⅝ | 30⅝ | —1⅛ |
| Waste s | 45137 | 36¼ | 34⅛ | 35¾ | + ¾ |
| ArchD s | 44352 | 22¾ | 21½ | 23¼ | +1⅜ |
| TexUtil | 43458 | 35⅝ | 33¼ | 34¼ | + ¾ |
| IllPowr | 43451 | 18⅝ | 14½ | 15 | —3½ |
| AT&T | 42886 | 40⅝ | 39⅝ | 39⅝ | —1 |
| GnMotr | 42463 | 46¾ | 44⅝ | 45 | —1¾ |
| Compaq | 42099 | 100 | 92½ | 97⅞ | +1 |
| FdNM s | 39445 | 35¼ | 33⅝ | 34 | — ⅜ |
| AmExp | 38831 | 28⅛ | 26⅝ | 26⅝ | —1⅜ |
| Exxon | 38258 | 46⅞ | 44⅝ | 45 | —1⅝ |
| BlckE s | 38210 | 19⅝ | 17 | 19 | +1 |
| PhilaEl | 37991 | 16⅛ | 15 | 15½ | —1 |

### AMEX Most Actives

| | Vol. | High | Low | Last | Chng. |
|---|---|---|---|---|---|
| Hilbov n | 67319 | 1⅛ | ⅝ | 1⅛ | + ⅛ |
| BAT In | 50852 | 12 | 11⅞ | 11⅞ | — ⅛ |
| Diasonc | 42777 | 3⅝ | 2⅞ | 3⅛ | — ⅛ |
| ENSCO | 23423 | 4⅝ | 4¼ | 4½ | |
| SNk I93wt | 20192 | 10⅛ | 9½ | 9⅞ | + ⅛ |
| Alza | 19673 | 39⅞ | 34½ | 35⅛ | —4⅛ |
| SikesA | 19055 | 16¼ | 16⅛ | 16⅛ | +3⅞ |
| SNk f93wt | 14061 | 11 | 10½ | 10⅞ | + ⅜ |
| Amdhl | 14033 | 14½ | 13½ | 13½ | — ⅜ |
| Dk Nk wt | 13718 | 11⅛ | 10½ | 11 | + ⅛ |
| SFT 93pwt | 12437 | 5⅝ | 5⅛ | 5½ | + ⅛ |
| EchoBy | 12268 | 15 | 14 | 14⅛ | — ⅝ |
| SNk 93cwt | 11486 | 3⅝ | 3⅜ | 3⅜ | — ¼ |
| PW Nk pwt | 10601 | 3¼ | 3 | 3¼ | |
| HomeSh | 10163 | 7½ | 6⅝ | 7⅜ | + ½ |
| Telesph | 9009 | 4⅝ | 3⅞ | 4½ | + ½ |
| WangB | 8676 | 5⅛ | 4½ | 4½ | — ½ |
| ElsNk wt | 8590 | 3¾ | 3⅛ | 3¼ | |
| WDigitl | 8522 | 13 | 11⅛ | 11⅝ | —1⅛ |
| FruitL | 7795 | 13⅝ | 13⅛ | 13⅝ | — ⅛ |
| TexAir | 7578 | 7⅛ | 6⅜ | 6½ | — ⅝ |
| NY Tim | 6977 | 21⅝ | 20¾ | 21⅛ | — ⅛ |
| DowC rt | 6117 | 10 | 9½ | 10 | + ¼ |
| PallCp | 5842 | 31⅛ | 30⅛ | 31⅛ | + ⅜ |
| Wthfrd | 5787 | 6⅛ | 5⅝ | 6⅛ | + ½ |

### NYSE Sales

| | Sales Vol. |
|---|---|
| Total for week | 678,950,000 |
| Week ago | 745,120,000 |
| Year ago | 803,180,000 |
| Two years ago | 707,360,000 |
| Jan 1 to date | 12,717,915,000 |
| 1989 to date | 13,489,300,000 |
| 1988 to date | 14,501,670,000 |

### AMEX Sales

| | Sales Vol. |
|---|---|
| Total for week | 67,830,000 |
| Week ago | 69,520,000 |
| Year ago | 54,580,000 |
| Jan 1 to date | 1,185,580,000 |
| 1989 to date | 929,200,000 |

### NYSE Diaries

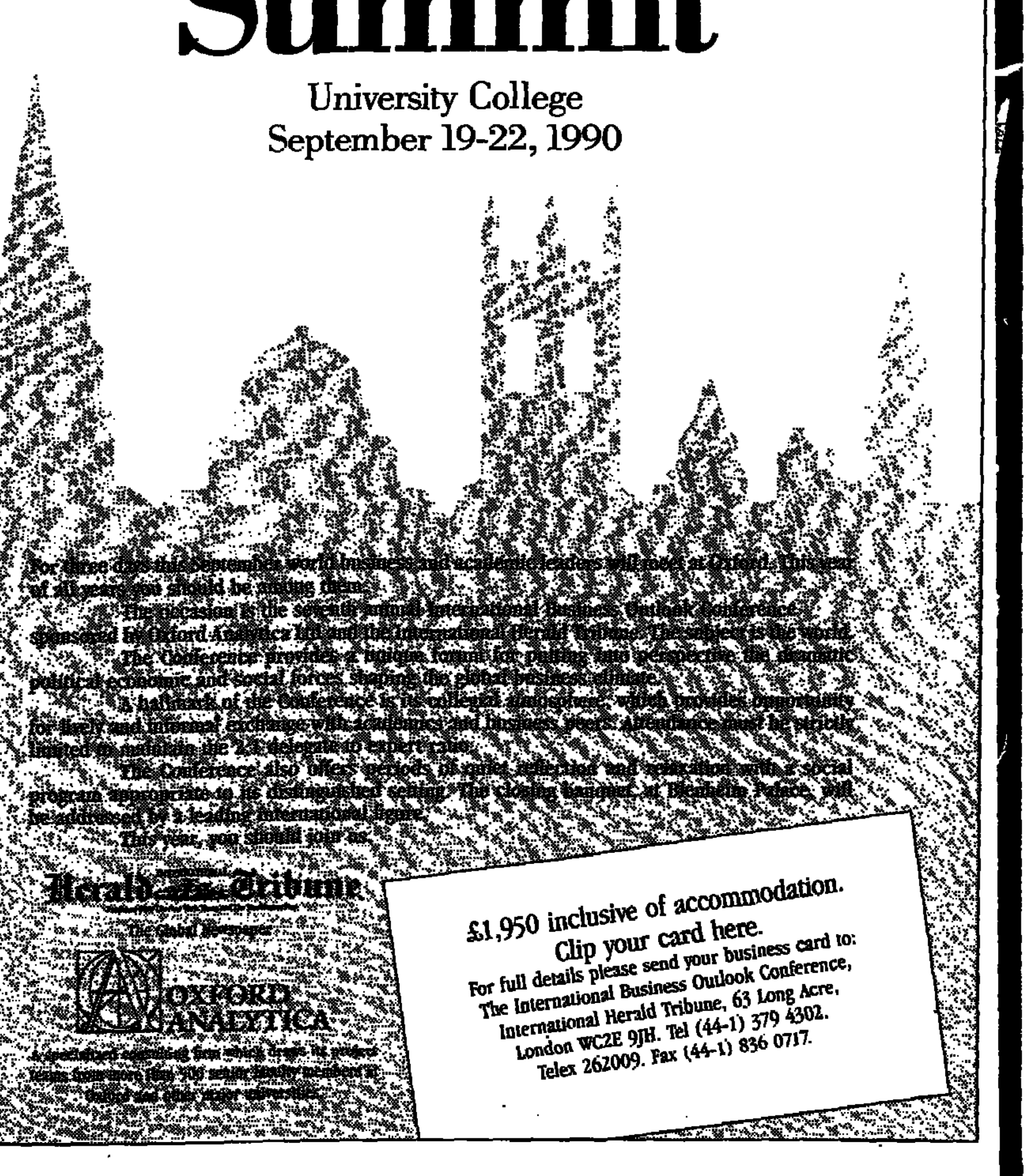
| | This Wk | Last Wk |
|---|---|---|
| Advanced | 559 | 555 |
| Declined | 1328 | 1374 |
| Unchanged | 286 | 257 |
| Total Issues | 2173 | 2186 |
| New Highs | 27 | 68 |
| New Lows | 296 | 185 |

### AMEX Diaries

| | This Wk | Last Wk |
|---|---|---|
| Advanced | 307 | 259 |
| Declined | 477 | 536 |
| Unchanged | 180 | 190 |
| Total Issues | 984 | 985 |
| New Highs | 17 | 41 |
| New Lows | 104 | 93 |


# Your Oxford Summit

University College
September 19-22, 1990



# NASDAQ NATIONAL MARKET

Consolidated trading for week ed Friday, April 27.

Sales in 100s High Low Close Net Chg'e

**A**

**B**

**C**

**D**

**E**

**F**

**G**

**H**

**I**

**J**

**K**

**L**

**M**

**N**

**O**

**P**

**Q**

**R**

**S**

**T**

(Continued on next page)

# Taiwan Futures Firms May Be Thing of Past

*Reuters*

TAIPEI — The wild, unregulated days of Taiwan's illegal futures trading, when gamblers bet vast sums on how overseas markets moved, are ending as the government tries to control the island's rampant underground economy.

The Bureau of Investigation last week questioned the heads of several underground futures houses and sent investigators in to check the books of many more.

When the officials arrived, nervous customers left, drying up turnover and commissions.

"It's part of a campaign to bring some law and order," said Martin Tsai, a lawyer whose firm has studied the industry for the government. "Many futures companies have links with Taiwan's underground investment houses, which in turn have links with Taiwan's equivalent of the mob."

Analysts say Taiwan's futures houses trade contracts worth between five billion and 10 billion Taiwan dollars ($190.8 million to $381.6 million) a day.

Newspapers recently have been filled with reports of the heads of futures firms, seeing an end to the days of easy money, escaping to Hong Kong or Malaysia with millions of dollars of customers' funds.

But many in the futures industry say they provide a legitimate service for Taiwan's wealthy middle class, who want high returns on their money and who are not worried about risk.

At some 300 companies around Taiwan, investors watch computer screens through the night, tracking the U.S. prices for Treasury bonds, gold, currencies, soybeans, pork bellies and stock futures.

In the rest of the world, futures are a legitimate way for businesses to minimize risk. Futures allow investors to agree on a price months before they need to buy or sell a commodity, and thus protect themselves from price movements.

But in Taiwan, almost every trade is simply for speculation and very few contracts ever leave the island to be traded on a legitimate, regulated, overseas exchange.

A new futures law, now awaiting action by parliament, will give the government a tough new weapon against the underground houses, providing seven-year jail terms for unlicensed brokers.

## WORLD STOCKS IN REVIEW

Via Agence France-Presse

### Amsterdam

Stocks again proved vulnerable to a weaker dollar and the Amsterdam CBS all-share index closed the week with a substantial loss.

The index declined to 191.8 Friday, compared with a close of 197.7 the week before. Total turnover rose to 6 billion guilders, from 5.6 billion the week before. Equities totaled 3.4 billion guilders, against 3 billion the previous week.

The Kempen & Co. brokerage forecast that uncertainty would continue in the short term. It expects prices to maintain their current level at best.

### Frankfurt

Shares on the Frankfurt stock exchange dropped sharply, with losses reaching up to 2.5 percent in one day, after the announcement Monday that weak East German marks will be converted into strong Deutsche marks on July 2.

The Commerzbank index dropped 87.60 points on the week, or 4 percent, to 2,228.60. The DAX index ended the week at 1,825.52, down 58.81 points from the previous week's close.

Foreign buyers made themselves scarce amid fears that the Deutsche mark could be pulled down by the state of the East German economy. The outcome of collective bargaining in the metal industry and the dispute over Lithuania's unilateral declaration of independence also depressed transactions.

### Hong Kong

Share prices dropped sharply due to lack of buying interest, pushing the main barometer below the psychological barrier of 3,000 points on Friday.

At the end of the week's trading, the Hang Seng Index had shed 80.97 points, or 2.6 percent, to close at 2,986.33 points, after staying above the 3,000-point mark since April 17.

Dealers said this week's trading could be mixed unless fresh overseas funds come into the market to push the indicator back above the psychological level of 3,000 points.

### London

Negative economic statistics, concerns over inflation and profit warnings from major banks took their toll on share prices.

The Financial Times 100-share index ended the week at its lowest level in five months. It dropped 80.5 points to 2,106.6.

The prospect of a bad showing for the ruling Conservative Party at local elections on May 2 also weighed on sentiment.

### Milan

Milan had a disappointing week, with three losing sessions and one with a slight gain. The exchange was closed April 25 for a holiday.

The MIB index lost 1.95 percent to end at 1,008, against 1,028 a week earlier. The Comit indicator lost 1.99 percent, ending at 691.32.

### Paris

The Paris Bourse lived up to the tradition that May is a losing month on the market. In the first week of the May Bourse term, the CAC-40 index finished at 2,066.27, down slightly over 3 percent for the week.

Analysts said the Bourse's winning sessions of previous weeks had tended to ignore international developments, particularly upward pressures on U.S. interest rates resulting from inflationary pressures and good growth. These developments have done away with hopes of an impending loosening of American monetary policy.

### Singapore

The Singapore market saw very little buying support from local or foreign investors.

The Straits Times index shed 50.12 points to end at 1,470.44, while the broader-based Stock Exchange of Singapore all-Singapore index lost 13.41 points to close at 404.26.

Much of the week's losses reflected weakness on overseas exchanges.

### Tokyo

Japanese share prices fell in dull trading as investors took a wait-and-see attitude ahead of the holiday-studded Golden Week starting April 30.

The Tokyo Stock Exchange's key index, the Nikkei average of 225 blue chips listed on the major section, shed 250.64 points, or 0.84 percent, to 29,584.80. The drop followed a 621.52-point gain the previous week, the first advance in nine weeks.

The market will be closed for holidays every day this week except Tuesday and Wednesday.

### Zurich

The Zurich stock market hit a low for the year on Friday.

The Swiss Performance Index dropped to 1,052 points from 1,070 points. The Crédit Suisse indicator ended at 581.2 against 591.4.

Bankers said there was no objective reason for the week's drop.

# South Korea Declines to Aid Market

*Compiled by Our Staff From Dispatches*

SEOUL — Stocks plunged to a record low in weekend trading after officials said definitively that they would not support the market.

The composite stock index fell 28.49 points Saturday to 720.37, an unprecedented swing for a half-day and very close to the record one-day plunge of 28.96 on Thursday. Falls led rises by a 100-to-1 margin.

But Finance Minister Chung Yung Euy said that he had decided not to take any bailout action similar to that taken when the index fell to its 1989 low, at 844.75 points, on Dec. 11.

At that time, a panicked government announced an unprecedented measure allowing the central Bank of Korea to release an unlimited amount of funds to buy up shares.

Mr. Chung said that he believed investors would return to the market now that the government had implemented strong measures to discourage real estate speculation.

Hundreds of small-time investors have protested to their securities companies in the past two weeks as the stock index dipped below the psychological 800-point barrier and kept falling.

Some broke office furniture and computers and put up posters inscribed with such slogans as "Down with the Roh Regime," as anger focused on the government of President Roh Tae Woo.

Sentiment was worsened by labor unrest at the southeastern city of Ulsan, which was paralyzed by sympathy walk-outs at Hyundai companies after police raided a Hyundai Heavy Industries shipyard to break up a strike by more than 20,000 workers.

*(AFP, Reuters)*

## BUSINESS BRIEFS

### Honda to Make Cars in Philippines

MANILA (Reuters) — Honda Motor Co. plans to make its Civic in the Philippines in a joint venture with a local partner.

Koji Mizuguchi, Honda's operations officer for Asia, told reporters Saturday that the company would submit its formal proposal to Board of Investments on Monday. He declined to disclose the amount investment involved or the plant's capacity.

The investment board has asked foreign companies to submit proals for the manufacture of cars with 1.2 liter engine capacity.

### Bank of New England Has Loss

NEW YORK (NYT) — Bank of New England Corp. announced th had a loss of $46.6 million for the quarter ended March 31, compa with a profit of $42.3 million in the year-earlier period.

The company, which had a $1.1 billion loss in 1989, continues to troubled by bad real estate loans in a weakening New England econo

Earnings were hurt by the need to add $151 million to its reserves loan losses in the first quarter. The need to pay higher interest rates deposits to attract funds also affected earnings.

### New Zealand Confidence Ebbs

WELLINGTON (Reuters) — New Zealand business confidence t another battering in April, as businesses forecast lower investment declining economic activity, National Bank of New Zealand Ltd. said survey released Monday.

Inflation expectations of businesses were unchanged from March at percent for the next 12 months.

"On average, the March quarter economic forecasts about the outlo for the 1991 financial year turned out to be more pessimistic" than th issued in the quarter ended Dec. 31, the bank's economists said.

### World Bank to Clear Loan to Poland

WASHINGTON (Reuters) — The World Bank's board is likely approve on Tuesday a $153 million loan for railroad and other transp tation facilities in Poland, bank officials said.

They said that Poland was also negotiating with the bank for two ot loans — one for the energy sector and the other a structural adjustm loan to help revamp the economy.

One bank official said the loans could total around $500 million.

### France Approves Renault Legislatio

PARIS (Reuters) — The French Socialist government used emerge powers on Saturday to force through the legislature a bill partly shedd automaker Renault's special status as a nationalized concern.

Prime Minister Michel Rocard, invoking a special clause in the consti tion, put an end to filibustering by Communist Party members opposed the change, which is necessary before Volvo AB of Sweden can take a percent share in Renault. Communists charged that the Volvo accord wa "Trojan horse" to allow Japanese interests into the company.

# ADRs' Popularity Growing, but Pitfalls Abound

By Jonathan Fuerbringer
*New York Times Service*

NEW YORK — One of the easiest ways for American investors to buy into foreign stock markets is through American Depository Receipts, whose popularity is growing. However, investors can face problems.

Fees on ADRs can diminish their dividends, and investors can have trouble selling them or getting information on the company whose stock they represent. Also, prices quoted in the United States on ADRs may not be as good as those for the stock at home.

An ADR is a certificate representing shares of a foreign stock that is issued by a depository bank. They are popular with investors because they are priced in dollars and trade like U.S. stocks.

The receipts also avoid the problems of settlement in some foreign markets and the costs of trading there.

But traders in these receipts suggest taking some precautions. "If you want to buy ADRs, chose the ones that are actively traded here, or there is no advantage to them," said Jimmy Wang, a first vice president at Prudential Bache Securities Inc., one of the leading traders of these receipts.

ADRs pose a currency risk, although they are priced in dollars. In addition to the value of the stock, the ADR price reflects the fluctuations of the currency in a stock's home market.

Not all ADRs are the same. Some are sponsored by the company, but most are not.

Of the 630 ADRs handled by Bank of New York, the largest depository bank, only 130 are sponsored, according to Joseph M. Velli, a senior vice president. But the number is growing.

Without sponsorship, the investor will pay a fee to the depository bank for administering the account.

The fee can reduce the dividend by two to four cents. And in most cases, Mr. Velli said, the annual report, proxy statements and other company information will not be delivered to the investor.

Some ADRs are listed on the New York Stock Exchange, the American Stock Exchange or the National Association of Securities Dealers Automated Quotation system, but, again, only a few. Of the existing 810 ADRs, Mr. Velli said, only 170 are listed.

Not all companies want to meet the disclosure requirements of listing. Those ADRs that are not listed trade over the counter in the "pink sheet" market. This means their prices are not published in newspapers, but are supplied by traders, who determine them based on their perceptions of their own risks.

Still, there are popular ADRs, like Siemens AG of West Germany, that are traded this way.

Many ADRs have very small trading volume, even if listed. Only 600 Fiat SpA shares traded on Friday and only 10,400 changed hands in April.

# Comex and Nymex Seeking Merger Deal

*Reuters*

NEW YORK — Representatives of The Commodity Exchange Inc. and the New York Mercantile Exchange hope to develop a merger proposal that can be presented to the boards of both exchanges in about two weeks.

Industry sources said Friday that the timetable for a merger was set when negotiating teams from Nymex and Comex met Thursday to begin developing a framework for an agreement.

Between 15 and 20 elected officials and staff members from both exchanges attended the Thursday meeting, the sources said.

If such an agreement is reached, and approved by the board of governors of each exchange, it would then be presented to the memberships of both exchanges, sources said.

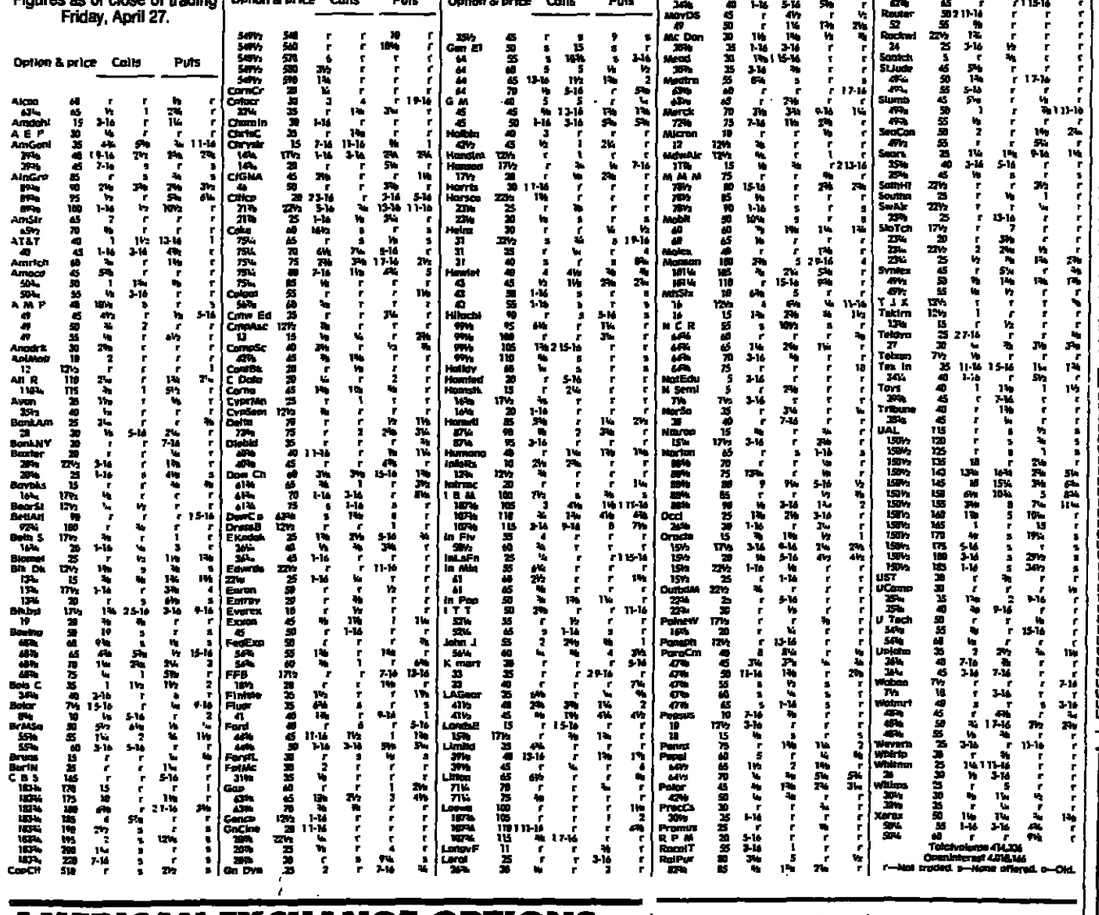
"There is momentum for merger," one source said.

The two exchanges "are going try to revive" the merger, anot said.

Prior merger talks were int rupted in part due to recent el tions at both exchanges.

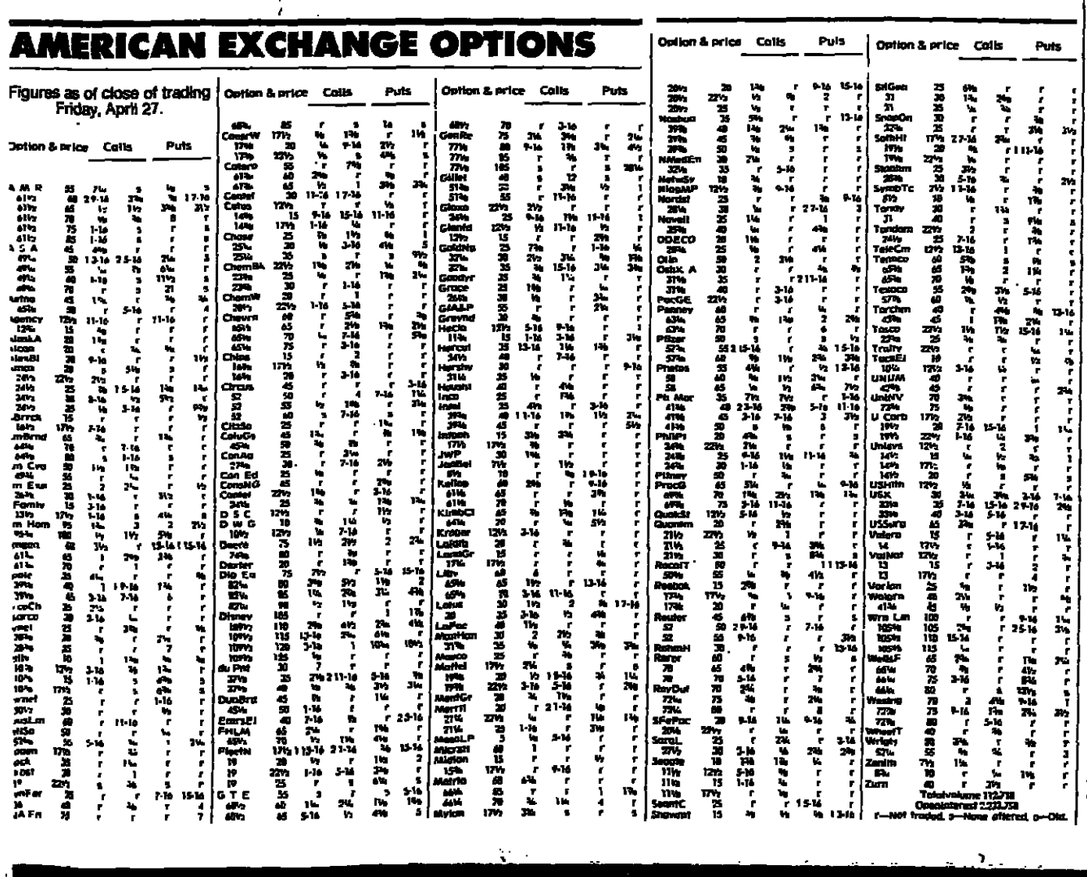
## CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, April 27.



## AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, April 27.



## NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, April 27.
(Continued)

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# MONDAY SPORTS

## Blues Even Series With Blackhawks

### Bruins and Capitals Reach Finals

*The Associated Press*

...ett Hull mustered some more ...gic for the St. Louis Blues, ex... ...ving his team's life in the Na... ...al Hockey League playoffs.

"You're counted on to do the job ... to do it is a good feeling," said ..., who had two goals and scored ...

**NHL PLAYOFFS**

...ame-winner late in the second ...od of a 4-2 victory over the ...ago Blackhawks.

...e result Saturday night in St. ... forced a seventh game in the ...is Division finals.

...e teams meet in Chicago on ...day night to decide who will ... the Edmonton Oilers in the ...pbell Conference finals.

New York, playoff sensation ... Druce scored 6:48 into over... Friday night as the Washing... Capitals beat the New York ...gers, 2-1, to advance to the ...rence of Wales Conference final ...s for the first time in their 17- ... history.

...e Capitals will face Boston, ...h advanced with a 3-1 victory ... the Montreal Canadiens Fri... ...night.

...ull, who leads the NHL with 13 ...'s in the playoffs, kept the puck ...a two-on-one break and beat ...ues Cloutier with a blistering ... shot from the right circle to ...k a 2-2 tie at 15:18. Hull also ...ed a first-period power-play ... and missed a chance for a ... goal when he shot high on a ...kaway at 7:25 of the third peri...

...ich Sutter made it 4-2 at 11:07 ...e third period, scoring on a low ... from the right side of the net ... pass from Ron Wilson. Dave ...ry got the other St. Louis goal ... goaltender Vincent Riendeau ...le 37 saves, including 18 in the ...d period.

Denis Savard and Jeremy Roenick each scored a power-play goal for the Blackhawks.

**Capitals 2, Rangers 1:** In New York, Druce scored his playoff-high 12th goal and eighth of the five-game series when he tipped Geoff Courtnall's shot from the left circle between John Vanbiesbrouck's pads.

That shot ended eight years of frustration for the Capitals, who had failed to get past the Patrick Division finals in their seven previous playoff appearances.

The game was a goaltending duel between Vanbiesbrouck and Mike Liut. Both were superb, with Liut making 29 saves and Vanbiesbrouck stopping 31 shots.

Vanbiesbrouck kept the Rangers alive in the overtime by stopping John Tucker from point-blank range, then foiling Druce after Courtnall sent him in alone.

The Rangers, though dominated for most of the first two periods, trailed only 1-0 entering the third and came out flying.

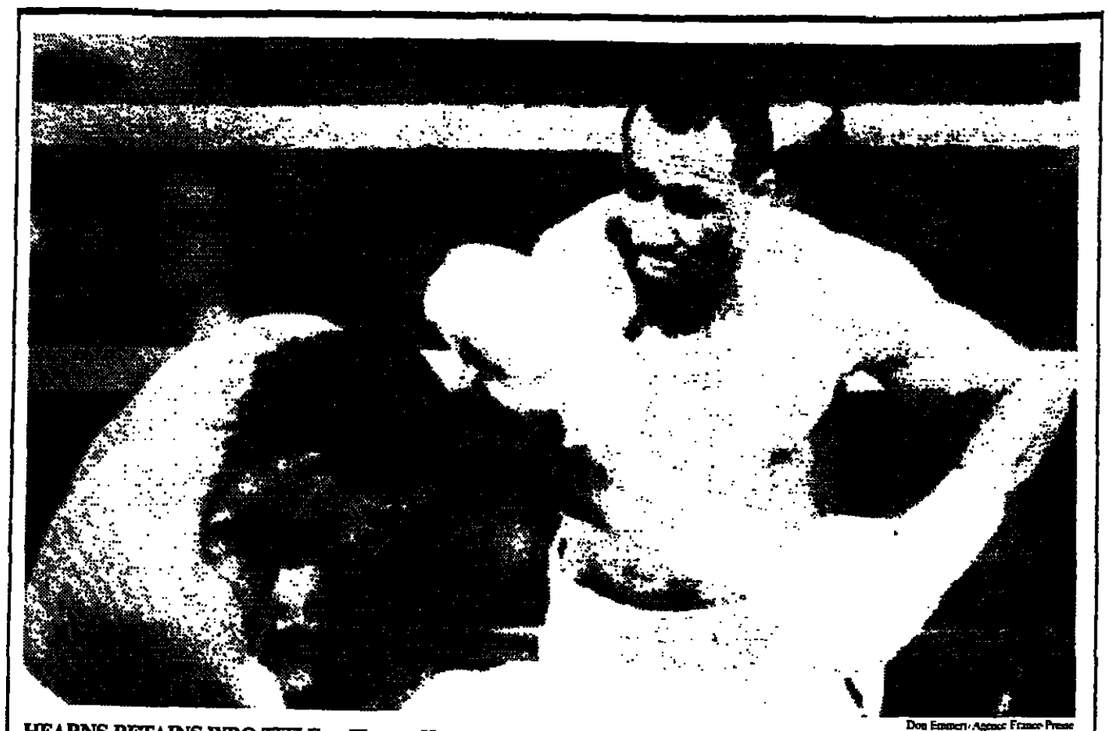
They tied it at 1:47 on a slap shot by defenseman Normand Rochefort from the left point that fluttered through a mass of players in front of the net and past Liut, who had been knocked to the ice and was out of the play.

**Bruins 3, Canadiens 1:** In Boston, Glen Wesley's 25-foot slap shot with 1:13 left broke a 1-1 tie and boosted the Bruins to a 4-1 victory in the series.

Cam Neely added an empty-net goal with five seconds left.

Goals by Boston's Randy Burridge in the first period and Montreal's Stephan Lebeau in the second tied the game 1-1.

It appeared headed for overtime before Boston's decisive assault on goalie Patrick Roy resulted in Wesley's second goal of the playoffs.



Don Emmert/Agence France Presse

**HEARNS RETAINS WBO TITLE** — Thomas Hearns attacking Michael Olajide in their 12-round World Boxing Organization super middleweight fight in Atlantic City on Saturday. Hearns withstood a late rally to retain his title on a unanimous decision.

## Czechs and Soviets Take Lead in World Hockey

*Reuters*

BERN — Czechoslovakia and the defending champion Soviet Union avenged earlier defeats to take a joint lead in the medal round of the World Hockey Championships here.

The Czechoslovaks scored a 3-2 upset victory on Saturday over Canada, the preliminary-round leader. The Canadians won the teams' first game, 5-3, on April 22. The Soviet Union was bolstered by superb goaltending from Artur Irbe as it trounced Sweden, 3-0, on Saturday to atone for its previous 3-1 loss.

Sergei Makarov of the Calgary Flames scored the Soviets' first goal in the second period, then Alexei Khomutov with his 10th of the tournament and Dmitri Khristitch wrapped it up in the third.

Czechoslovakia put up a defensive wall after scoring twice against a listless Canada in the first period, the goals coming from Jiri Kucera and Zdenko Ciger.

Canada had a goal disallowed late in the period when the referee ruled that Shawn Burr batted the puck in with his arm.

The Canadians, with six victories and a draw in their previous matches, awoke in the second period, firing 22 shots at Dominik Hasek.

But they scored only once, through Greg Adams, and Czechoslovakia reclaimed a two-goal lead five minutes later on a fine effort by Robert Holik.

In the final period Canada again narrowed the difference to one goal, Doug Lidster beating Hasek with a low shot with 10 minutes left.

The Soviets showed they may be hitting their best form at the right time after placing third in the round-robin standings.

Makarov tipped in a goal-mouth pass to open the scoring after five minutes of the second period.

The Swedes struggled to keep up after that. Khomutov intercepted a pass by Swedish defender Ulf Samuelsson at his own blue line and skated in alone to beat Rolf Ridderwall for the second goal.

Then Sergei Pryakin of the Calgary Flames, being used for the first time in place of the injured Evgeny Davidov, combined on a passing play with Dmitri Khristitch, who beat Ridderwall for the final goal.

## Post-Gretzky Oilers Rediscover Postseason Life

By Joe LaPointe
*New York Times Service*

...or much of the last decade, the month of ... in Edmonton has meant hockey games, ...portant ones — the last two rounds of the ...ley Cup playoffs.

...hen Wayne Gretzky played here through ...1980s, Edmonton reached the final round ... times and emerged victorious in four.

...hen Gretzky was traded to Los Angeles ... seasons ago, it took the players and the fans ...ast a year to get over the loss.

...ast April, the Oilers were eliminated in the ... round of the playoffs.

..."I've been vilified as the fellow who carved ...the greatest team in hockey," said Peter ...klington, the Oilers' owner. "Unfortunate...m the sporting business, you've got to do ... for the future."

...he future, as they say, is now.

...he Oilers have forged a style and an identity ...out Gretzky, and once again they will play ... into the fifth month of the year.

...fter defeating the Winnipeg Jets and the ... Angeles Kings in the first two rounds, the ...ers will take a seven-game winning streak ... the opener of the Campbell Conference ...l Wednesday night against either the Chica... Blackhawks or the St. Louis Blues.

...he Oilers have advanced to the final four ...h a roster of people with three types of ...rience.

...here is a varsity of veterans in their 30s who ...e played their entire careers with the Oilers; ...nior varsity of players in their mid-20s who are a mixture of home-grown talent and trade acquisitions, and a speedy freshman class, the majority of which began the season in Detroit Red Wing uniforms.

Much else is different from the 1988 Stanley Cup champion team.

A new star, Bill Ranford, has emerged in goal, replacing the old one, Grant Fuhr, who is injured.

Behind the bench, John Muckler is in his first year as coach after four seasons as a first lieutenant to Glen Sather, now general manager.

"We've made some changes," said Mark Messier, the captain. "More depth. More speed. More youth. More of everything."

Messier, 29, a strong candidate for the Hart Trophy as the National Hockey League's most valuable player, is an 11-year veteran who leads a nucleus of a half-dozen old hands who joined the team, with Gretzky, before the glory years.

This season, Messier scored 45 goals and added 84 assists, his 129 points ranking second in the league behind Gretzky's 142.

Other elders include Kevin Lowe, a 31-year-old defenseman with the team since 1979; Glenn Anderson, a 29-year-old right wing who arrived in 1980; Jari Kurri, the sharpshooting right wing from Finland who is in his 10th season with the team and will turn 30 on May 18; Charlie Huddy, a 30-year-old defenseman also in his 10th year, and Randy Gregg, a 34-year-old defenseman in his ninth year.

Among the younger veterans of the middle group are Craig Simpson, a 23-year-old forward acquired from Pittsburgh in 1987; Steve Smith, a 26-year-old defenseman who became a regular in 1985; Jeff Beukeboom, a 25-year-old defenseman who joined the team the following season, and Esa Tikkanen, a scrappy 25-year-old left wing from Finland who made his Oiler debut in the 1985 playoffs.

Starring in these playoffs have been Ranford, with a 2.72 goals-against average; Tikkanen, who has scored eight goals in 11 games and successfully shadowed the injury-weakened Gretzky in the four-game sweep of the Kings, and Lamb, who has five goals and eight assists in 11 games.

Another major boost has come from the new arrivals, including Joe Murphy, 22; Adam Graves, 22, and Petr Klima, 25.

All are forwards who were obtained early this season in the trade with Detroit that sent Jimmy Carson to the Red Wings.

Carson never felt comfortable in his one season with Edmonton as the man who replaced Gretzky after the deal with the Kings. He refused to play early this season, forcing a trade.

"That trade was monumentally important," said Simpson, who has eight goals and eight assists in 11 playoff games.

He said the young players "are full of fire and so excited to be a part of this team that it has made a world of difference."

Another youth with potential is Martin Gelinas, a 19-year-old rookie left wing obtained with Carson from Los Angeles. He has two goals so far in the playoffs.

The Associated Press

**LIVERPOOL WINS RECORD 18TH TITLE** — Liverpool's Ian Rush was a step ahead of a Queen's Park Rangers defender. Rush and John Barnes each scored to give Liverpool a 2-1 victory and its record 18th English League soccer title.

## SIDELINES

### Napoli Clinches Italian Soccer Title

ROME (AP) — Napoli defeated Lazio of Rome, 1-0, on a goal by defender Marco Baroni in the sixth minute on Sunday to win the Italian soccer title for the second time.

The victory, Napoli's 21st on the year, lifts the team's final point total to 51, two points ahead of AC Milan, which pounded Bari, 4-0. Napoli needed only a tie to clinch the title. Diego Maradona, Napoli's Argentine captain, dazzled the sellout crowd in Naples with his show-stopping moves. Maradona led the team to its first league triumph in 1987.

Maradona set up Baroni for the game's only score, lofting a high, floating free kick from just outside the Lazio area that Baroni headed past goalie Valerio Fiori.

### Sánchez Vicario Wins in Barcelona

BARCELONA (AP) — Arantxa Sanchez Vicario of Spain settled down after a shaky second-set start to defeat Isabel Cueto of West Germany, 6-4, 6-2, on Sunday and win the Spanish Women's International Tennis Championships.

Sánchez Vicario, the top seed in the $150,000 tournament, held serve throughout the first set but faltered early in the second, ceding back-to-back breaks to Cueto, who had qualified for the final with an upset over Mary Jo Fernandez of the United States.

But Cueto, who appeared to hurt her left thigh early in the second set, failed to hold her serve even once, and double-faulted at breakpoint to go down, 2-3. Sánchez Vicario then steadied her play, holding serve to go up, 4-2, then holding again to win the set and match.

### Davis Takes Spanish Golf by a Stroke

MADRID (AP) — Rodger Davis of Australia shot a six-under-par 66 Sunday to win the Spanish Open golf tournament by a stroke after withstanding late challenges by Nick Faldo of England and Bernhard Langer of West Germany.

Davis, who finished second to Langer in the Madrid Open, finished with an 11-under 277 total. Faldo, the U.S. Masters champion, finished with 278 to share second place with Langer and Peter Fowler of Australia.

• In Togocho, Japan, Noboru Sugai sank a three-foot par putt on the first playoff hole Sunday and beat Steve Pate of the United States in the Chunichi Crowns Golf Tournament.

### '92 Olympics Hockey Dispute Settled

BERN (AP) — The International Ice Hockey Federation withdrew its boycott threat of the 1992 Olympics on Sunday after reaching an accord with the French organizers to expand the tournament and add playoffs.

"There are no problems, they are solved," said Juan Antonio Samaranch, president of the International Olympic Committee. Earlier Sunday, Samaranch met with Gunther Sabetzki, president of the hockey federation, as well as representatives of the French organizing committee.

"We have agreed to have a 16-day tournament with playoffs," said Gunther Sabetzki, president of the IIHF. "We also hope the organizers will build a new training facility." The federation had threatened to pull out of the Olympics if a controversy over facilities was not settled.

### Goodwill Games Gesture to Lithuania

SEATTLE (UPI) — Athletes from Lithuania and other Soviet republics will be allowed to carry the flags of their republics at the welcoming ceremonies for the Goodwill Games games this summer, according to a games official.

The athletes, many of whom are Olympic medalists for the Soviets, also will be allowed to wear flag patches or national emblems of their republics on their Soviet team uniforms, according to Jarlath Hume, a spokesman for the organizing committee. But the rules of qualifying for the Games do not allow Lithuanian athletes to enter the competition except as members of the Soviet team. The decision on flags and patches came on the suggestion of officials of Goskomsport, the Soviet State Committee for Physical Culture and Sport.

### For the Record

**The new World League of American Football** will place one of its 12 teams in San Antonio, Texas, the league's president, Tex Schramm, announced Saturday. *(AP)*

**Pat Cash of Australia defeated Alex Antonitsch** of Austria, 6-3, 6-4, on Sunday to win the Salem Hong Kong Tennis Open, his first tournament victory since a leg injury eight months ago. *(AP)*

**Uruguayan soccer star Carlos Aguilera** helped Genoa to win its last championship match on Sunday, a day after being released from jail. Aquilera, who was arrested Thursday in connection with a Latin American prostitution ring, led the home team to a 2-0 victory over Ascoli. *(AP)*

**Yuh Myung Woo of South Korea retained** his World Boxing Association junior-flyweight title on Sunday, outpointing Leo Gamez of Venezuela in a split decision in Seoul. *(Reuters)*

**Michael Moorer of the United States retained** his World Boxing Organization light heavyweight title by stopping Argentine challenger Mario Melo in the first round of their scheduled 12-round bout on Saturday in Atlantic City, New Jersey. *(Reuters)*

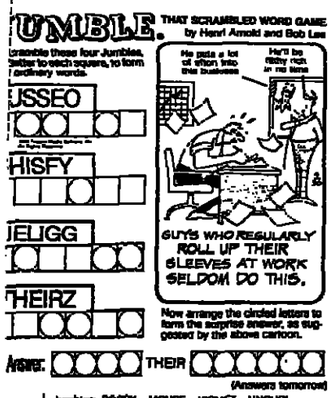
**Mr. Frisk, the fastest Grand National winner on record,** made horse-racing history again on Saturday with a victory over Durham Edition in the Whitbread Gold Cup in Sandown, England, becoming the first horse to complete the great Aintree-Whitbread double. *(AFP)*

**Nottingham Forest won its second consecutive** English League Cup on Sunday, beating second division Oldham Athletic, 1-0, on Nigel Jemson's goal three minutes into the second half of the soccer game at London's Wembley Stadium. *(AP)*

**TENNIS THE MENACE**

...OUR SON TRIED TO MAKE A YO-YO OUT ...F HIS SPAGHETTI AND MEATBALLS."

**JUMBLE** THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee




Unscramble these four Jumbles, one letter to each square, to form ordinary words.

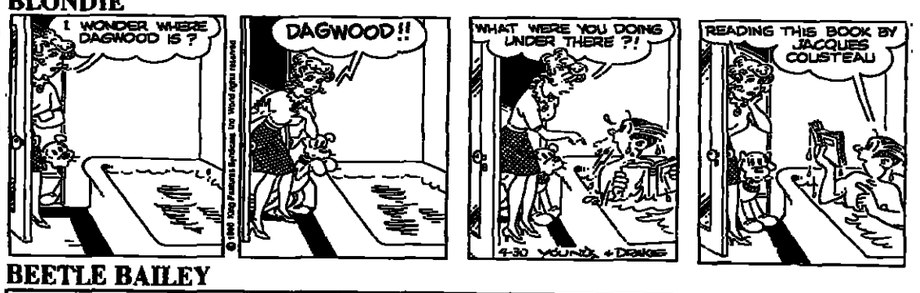
Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: _____ THEIR _____ (Answers tomorrow)

Jumbles: POPPY MOUSE KISMET UNCURL
Answer: He was so dull that every time he left - - - THE ROOM LIT UP

**PEANUTS**

**BLONDIE**

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# MONDAY SPORTS

# Jordan and Bulls Run Down Bucks as Celtics Wash Knicks

*ompiled by Our Staff From Dispatches*

Michael Jordan scored 36 points d Scottie Pippen added a career-gh 32 on Sunday to lead the Chi-go Bulls to a 109-102 triumph er the Milwaukee Bucks and 2-0 vantage in their opening-round ayoff series.

The Bulls, who have beaten the cks in 19 of their last 21 meet-

## NBA PLAYOFFS

gs, can sweep the best-of-five se-s with a victory in Game 3 at ilwaukee on Tuesday.

The Bulls appeared headed for a naway after building a 17-point ad in the opening eight minutes, ut the Bucks outscored Chicago 4-18 in the second quarter to hold 52-51 lead at intermission.

The Bucks ran off 8 straight oints midway through the final uarter to pull ahead for the last me at 89-88 with 5:28 to go. The ulls followed with a 9-1 surge, ordan capping it with a 3-point lay, to take the lead for good.

Paul Pressey led the Bucks with 5 points, while Pierce had 23. Hor-ce Grant finished with 15 points nd Cartwright 14 for the Bulls.

*In games played Saturday:*

**Celtics 157, Knicks 128:** The eltics wrote themselves a place in e NBA record book by over-helming New York at the Boston arden to take a 2-0 lead in their pening-round series.

The Celtics' total was the most oints ever scored in a playoff ame. The previous record was 156 oints, set by the Milwaukee Bucks n March 30, 1970, against the hiladelphia 76ers.

The most points the Knicks had lowed previously in a playoff ame was 140, against the Celtics n March 21, 1957. Saturday's argin of victory — 29 points — ould have easily been greater.

"It was like a tidal wave," said evin McHale, who led Boston ith 31 points.

The Celtics were wide open for any shots and shot 67 percent om the field — a record for a ayoff game. They played out-anding defense, especially in the second quarter, and took a 74-59 lead by halftime.

**Pistons 100, Pacers 87:** In Auburn Hills, Michigan, Detroit broke open a game that was tied at halftime with a 26-9 spurt in the third period. The win puts them ahead 2 games to 0 in the series.

The Pacers pulled within seven points several times in the fourth quarter, but Bill Laimbeer, who finished with 22 points and 11 rebounds, and Isiah Thomas kept the Pistons safely in front.

Joe Dumars scored 19 points for the Pistons, while Thomas added 13 points — eight in the fourth quarter — and 12 assists.

The Pacers got 23 points from Reggie Miller and 19 from Vern Fleming.

**Spurs 129, Nuggets 120:** In San Antonio, Texas, David Robinson had 31 points and 12 rebounds for San Antonio, which gained a 2-0 lead in its series against Denver.

The Nuggets trailed only 120-117 with 1:13 left. But a basket by David Wingate and two by Terry Cummings in the final minute put the game out of reach.

Willie Anderson scored 25 points for San Antonio, including 10 in the fourth quarter, and Cummings had 21.

**Trail Blazers 114, Mavericks 107:** In Portland, Oregon, Kevin Duckworth scored 12 of his 18 points in a third-quarter Portland surge over Dallas. The Blazers now lead the series 2-0.

Buck Williams, suffering from a mild case of the flu, added 16 points and 13 rebounds as the Blazers moved within one victory of their first playoff series victory since 1985. Jerome Kersey also scored 16 for Portland.

The Blazers led by as many as nine points in the fourth quarter before Dallas made it 110-107 on Steve Alford's three-pointer with 34 seconds left.

But Clyde Drexler sank two free throws with 29 seconds remaining and, after a Dallas turnover, Terry Porter made two more with 17 seconds to go, clinching the victory.

*(NYT, AP)*

Peter Southwick/The Associated Press

Boston's Larry Bird putting a stop on New York's Gerald Wilkins.

# Chesnokov Crushes Muster To Take Monte Carlo Open

*Reuters*

MONTE CARLO — Andrei Chesnokov of the Soviet Union captured the biggest title of his career when he beat Thomas Muster of Austria in straight sets to win the Monte Carlo Open tennis tournament on Sunday.

The 24-year-old 12th seed played such a solid game that he crushed the unseeded left-hander, 7-5, 6-3, 6-3, in two hours, 40 minutes.

"This is a big, big win for me," Chesnokov said. "I will remember this all my life."

His victory was a surprise in a clay-court tournament that had included the No. 2 and No. 3 players in the world, Stefan Edberg and Boris Becker.

In the final, both players were firmly rooted to the baseline, engaging in a series of seemingly endless rallies.

Muster, who had rampaged through the earlier rounds without the loss of a set, could not find the way past Chesnokov's solid defense. The Soviet player ran for and got just about everything.

The crucial point came near the end of a long first set lasting 70 minutes. Chesnokov had served for the set at 5-3 but Muster broke, leveled at 5-5 and then had a break-point for a 6-5 lead.

But Chesnokov's nerve never cracked. He held serve, broke instantly and then got on top of a tiring Muster.

Chesnokov faltered towards the end of the match when he squandered four matchpoints before wrapping things up.

The Soviet player picked up $125,000, the biggest check of his career. Chesnokov, who rebeled after winning last year's Nice Open and refused to give his winner's earnings to the Soviet tennis federation, said he would again keep the money for himself.

# Stewart Leads A's Over Red Sox

*Compiled by Our Staff From Dispatches*

Dave Stewart triumphed over Roger Clemens for the fourth straight time as the Oakland Athletics stopped the Boston Red Sox, 1-0, in Boston on Sunday.

It was Jose Canseco's run-scoring single in the first that decided

## BASEBALL ROUNDUP

the duel between two of baseball's premier pitchers.

Stewart gave up six hits in 7⅔ innings, striking out six and walking four. Dennis Eckersley finished for his seventh save in seven opportunities.

Clemens allowed four hits, walked four and struck out two in 7⅔ innings.

Oakland got its run in the first when Rickey Henderson drew a leadoff walk, advanced on an infield out and scored as Canseco ended an 0-for-12 slump with a ground single to left.

**Twins 6, Indians 4:** In Cleveland, Sandy Alomar scored two runs and drove in another as Cleveland remained unbeaten at home.

Greg Swindell pitched 5⅔ innings for the victory and got relief help from Steve Olin and Doug Jones.

In winning their fourth straight, the Indians moved to 6-0 at home on the year. Roy Smith was the loser as the Twins lost their fourth in a row.

**Brewers 6, Tigers 1:** In Detroit, Paul Molitor and Glenn Braggs each homered, leading Chris Bosio and the Milwaukee past Detroit.

The Brewers, who had hit just seven home runs in 16 games this season, connected twice against Dan Petry. Molitor hit his first of the year after a single by Edgar Diaz in the third, and Braggs hit a solo shot in the fifth.

**Angels 4, Yankees 3:** In New York, Mark Langston allowed two runs in six-plus innings for his second victory with California as the Angels held off New York.

Steve Balboni flied out with the bases loaded to end the game as California stopped a seven-game losing streak at Yankee Stadium.

**White Sox 10, Blue Jays 3:** In Chicago, Sammy Sosa connected for a three-run shot to lead the White Sox over Toronto and to their first three-game sweep of the Blue Jays since 1979.

**Braves 3, Phillies 1:** In Atlanta, Pete Smith pitched the Braves' first complete game of the season and Jim Presley hit a tiebreaking, two-run homer in the sixth inning to snap a five-game losing streak.

It was only the Braves' third victory in 16 games. The Phillies had won six of seven before dropping the finale of the three-game series. Smith allowed six hits, struck out five and walked three.

After Lonnie Smith walked in the sixth, Presley homered off starter Pat Combs to give the Braves a 3-1 lead.

**Expos 6, Reds 3:** In Cincinnati, Tim Wallach and Mike Fitzgerald homered as Montreal ended Cincinnati's three-game winning streak. The defeat was a double setback for the Reds, who lost starter Danny Jackson in the first inning with a bruised arm.

Montreal starter Kevin Gross lost his shutout in the eighth when Herm Winningham drove in two runs with a one-out, bases-loaded single. Reliever Tim Burke got out of the jam and finished the game for his sixth save.

*In games played Saturday:*

**Red Sox 12, Athletics 3:** Wade Boggs batted in five runs and scored three on his own as Boston delivered a 13-hit attack to swamp Oakland.

In playing his 1,200th game, Boggs doubled his season RBI total by hitting a two-run homer and a bases-loaded double.

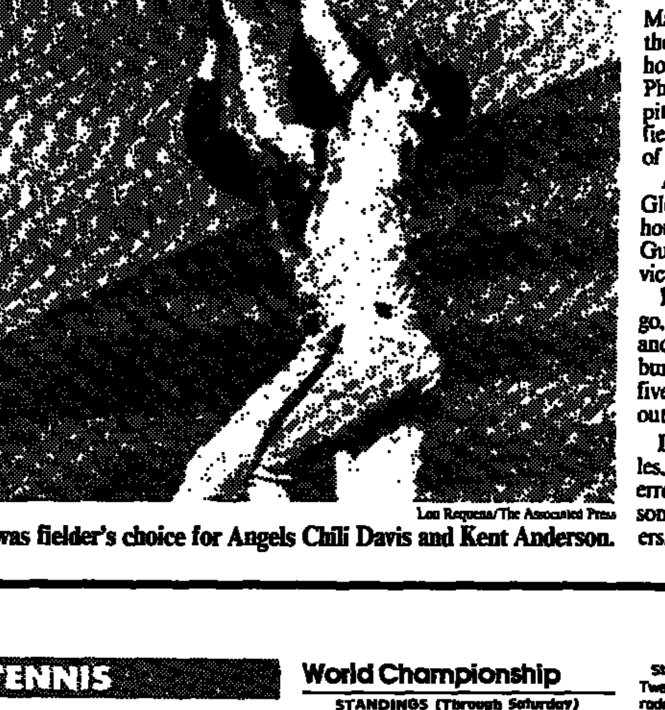
Jody Reed went 4-for-5, driving in three runs and scoring one, and Dwight Evans hit a three-run homer, his third of the season.

**Yankees 3, Angels 2:** In New York, Steve Sax reached base four straight times in the game and drove in a run in the Yankees' three-run third to help hand California its third straight loss.

Greg Cadaret pitched six innings of three-hit ball. Starting with a strikeout of Lance Parrish to end the first inning, Cadaret retired 15 batters in a row before allowing a sixth-inning walk to Chili Davis.

**Indians 3, Twins 0:** In Cleveland, Mitch Webster drove in three runs with a pair of doubles and John Farrell gave up six hits over 8⅓ innings.

Farrell, who struck out two and did not allow a walk, left in the ninth after allowing back-to-back singles to John Moses and Kirby Puckett. Jesse Orosco relieved and got Kent Hrbek to ground into a game-ending double play.



Lou Requena/The Associated Press

It was fielder's choice for Angels Chili Davis and Kent Anderson.

**Rangers 9, Royals 2:** In Kansa City, Missouri, Julio Franco hit two-run homer as Texas delivere Kansas City its sixth straight lo and its worst season start in nir years.

**White Sox 5, Blue Jays 4:** I Chicago, Sammy Sosa and Iva Calderon belted home runs to hel Jerry Kutzler win his major-leagu debut. It was the first time thi season Chicago has hit more tha one home run in a game.

**Tigers 13, Brewers 5:** In Detroi Cecil Fielder drove in six runs wit two homers and a bases-loade walk to help Detroit. Frank Tan na scattered nine hits over the sev en innings to post his 200th majo league victory. His career recor stands at 200-189 over 18 seasons

A five-run burst in the sevent inning, capped by pinch-hitter E Romero's two-run double, brough the Tigers back from a 5-4 deficit

**Mariners 4, Orioles 3:** In Balti more, Jeffrey Leonard drove in th winning run with a ninth-innin sacrifice fly. Leonard had strande seven runners on base in four a bats before his game-winning sho

**Reds 6, Expos 4:** In a Nationa League game in Cincinnati, Chri Sabo smashed a three-run hom run in the fourth, his fifth of th season, to power Cincinnati. Sab hit just six homers last season.

**Cardinals 5, Giants 0:** In Sa Francisco, John Tudor and two re lievers combined on a seven-hitte and Willie McGee and Denn Walling each ripped a pair of RB singles for St. Louis.

**Phillies 2, Braves 1:** In Atlant Martinez belted a solo home run i the ninth, his second game-winnin homer in as many nights, to lif Philadelphia. Martinez ripped a 1- pitch off Joe Boever over the left field fence for his second home ru of the season.

**Astros 8, Mets 4:** In Houston Glenn Davis and Gerald Youn homered for Houston to give Bil Gullickson his first major-leagu victory since 1987.

**Pirates 4, Padres 3:** In San Die go, Barry Bonds stroked three hit and drove in a run to help Pitts burgh extend its winning streak t five games. The Pirates pounde out 12 hits.

**Dodgers 5, Cubs 4:** In Los Ange les, Alfredo Griffin scored on a error by right fielder Andre Daw son in the ninth to boost the Dodg ers. *(UPI, AP*

# SCOREBOARD

## BASEBALL

### Major League Standings

(Through Saturday)

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---|---|---|---|---|
| ilwaukee | 10 | 6 | .625 | — |
| oston | 10 | 7 | .588 | ½ |
| ronto | 11 | 8 | .579 | ½ |
| eveland | 8 | 8 | .500 | 2 |
| w York | 7 | 8 | .467 | 2½ |
| troit | 8 | 10 | .444 | 3 |
| ltimore | 7 | 11 | .389 | 4 |
| **West Division** | | | | |
| kland | 12 | 5 | .706 | — |
| xas | 11 | 7 | .611 | 1½ |
| icago | 8 | 6 | .571 | 2½ |
| attle | 8 | 10 | .444 | 4½ |
| lifornia | 7 | 10 | .412 | 5 |
| nnesota | 7 | 11 | .389 | 5½ |
| nsas City | 5 | 12 | .294 | 7 |

NATIONAL LEAGUE

| East Division | W | L | Pct. | GB |
|---|---|---|---|---|
| ttsburgh | 13 | 6 | .684 | — |
| iladelphia | 10 | 7 | .588 | 2 |
| ontreal | 9 | 8 | .529 | 3 |
| w York | 9 | 8 | .529 | 3 |
| Louis | 9 | 10 | .474 | 4 |
| icago | 7 | 11 | .389 | 5½ |
| **West Division** | | | | |
| ncinnati | 12 | 2 | .857 | — |
| s Angeles | 11 | 8 | .579 | 3½ |
| n Diego | 9 | 9 | .500 | 5 |
| uston | 7 | 10 | .412 | 6½ |
| n Francisco | 6 | 12 | .333 | 8 |
| lanta | 2 | 13 | .133 | 10½ |

### Friday's Line Scores

AMERICAN LEAGUE

nnesota 000 000 002—2 6 2
veland 020 000 10x—7 12 0
West, Drummond (5) and Harper; Black, onte (9) and Alomar. W—Black, 2-0. L—st, 1-2. HRs—Minnesota, Manrique (2), ckett (2). Cleveland, Belle (1), Baerga (1), ldonado (4).

attle 000 120 010—4 7 0
ltimore 000 020 001—3 5 1
Hanson, Schooler (9) and Valle; Ballard, on (8) and Tettleton. W—Hanson, 2-0. L—llard, 0-3. Sv—Schooler (4). HRs—Seattle, ile (3). Baltimore, Milligan (2).

lifornia 000 011 200—4 12 0
w York 300 010 01x—5 11 0
Blyleven, Bailes (5), Fraser (7) and Orton; ary, Guetterman (7), Righetti (9) and Cerone. W—Guetterman, 1-1. L—Fraser, 0-1. Sv—Righetti (4). HRs—California, Orton (1), mer (2), Washington (1), D.White (1). New rk, Sax (1).

ronto 000 010 000—1 2 0
icago 100 200 02x—5 10 0
Cerutti, Wills (8) and Borders; Hibbard, Radinsky (9), Thigpen (9) and Fisk. W—Hibbard, 1-1. L—Cerutti, 1-2. HR—Chicago, Calderon (1).

lwaukee 010 105 101—9 15 1
troit 011 310 000—6 12 0
Navarro, Krueger (4), Crim (7) and Surhoff; rris, Nunez, Nunez (8), Gleaton (9) and es, Heath (5). W—Krueger, 1-0. L—Morris, 2-. Sv—Crim (2). HR—Detroit, Trammell (1).

kland 000 211 010—5 7 0
ston 111 010 002—7 12 1
Anderson, Norris (6), Nelson (9) and Hassey; Kiecker, Lamp (5), L.Smith (8), Reardon and Pena. W—Reardon, 1-0. L—Nelson, 1-1. s—Oakland, McGwire (6), Hassey (1). ston, Greenwell 2 (2), Reed (2).

xas 010 010 100—3 10 2
nsas City 400 001 001—6 9 1
ough, Moyer (7), Mielke (8), Russell (8) and Petralli, Kreuter (9); Gordon, Farr (6), Montgomery (7), M.Davis (9) and Macfarlane. W—Russell, 1-1. L—M.Davis, 0-1. HRs—Texas, Baines (3). Kansas City, Stillwell (1).

NATIONAL LEAGUE

Montreal 000 000 020—2 8 3
Cincinnati 100 000 101—3 8 0
Z.Smith, Hall (8), Burke (9) and Santovenia; Browning, Charlton (8), Dibble (8) and Oliver. W—Dibble, 1-0. L—Hall, 1-2. HR—Cincinnati, Roomes (1).

Philadelphia 100 000 042—7 10 1
Atlanta 000 100 000—1 6 0
Cook, Parrett (8) and Daulton; Clary, Stanton (8), Luecken (8), Henry (9) and Olson, Whitt (8). W—Cook, 3-0. L—Stanton, 0-3. HRs—Philadelphia, Herr (2), C.Martinez (1).

New York 000 100 000—1 8 0
Houston 000 000 000—0 3 0
Viola, Whitehurst (6), Franco (8) and Lyons; Portugal, Agosto (9), Anderson (9) and Biggio, Trevino (9). W—Viola, 4-0. L—Portugal, 1-3. Sv—Franco (6). HR— New York, Carreon (3).

Chicago 000 000 000—0 4 3
Los Angeles 000 202 01x—5 6 2
Nunez, Assenmacher (6), Lancaster (8), Kraemer (8) and Girardi; Valenzuela and Scioscia. W—Valenzuela, 1-2. L—Nunez, 1-2.

Pittsburgh 011 201 220—9 19 0
San Diego 000 003 100—4 9 0
Heaton, Bair (6), Patterson (7), Power (8) and LaValliere; Show, Clements (4), Grant (6), Valdez (8) and Santiago. W—Heaton, 4-0. L—Show, 0-3. HRs—Pittsburgh, Bonds 2 (3), Van Slyke (4). San Diego, J.Carter (3), Jackson (1).

St. Louis 200 001 000— 3 8 2
San Francisco 103 222 02x—12 14 0
Mathews, Hill (4), Niedenfuer (7), Horton (8) and Zeile, Pagnozzi (8); Hammaker, Camacho (9) and Carter, Kennedy (7). W—Hammaker, 2-1. L—Mathews, 0-3. HRs—St. Louis, Zeile (2). San Francisco, Williams (9), Bass (3).

### Saturday's Line Scores

AMERICAN LEAGUE

Oakland 000 000 003— 3 5 0
Boston 420 004 02x—12 13 1
Young, Otto (7) and Steinbach, Quirk (7); Harris, Murphy (6), Irvine (9) and Pena. W—Harris, 2-0. L—Young, 0-1. HRs—Boston, Evans (3), Boggs (1).

California 200 000 000—2 3 2
New York 003 000 00x—3 7 1
Finley, Eichhorn (8) and Parrish, Orton (7); Cadaret, Robinson (7), Righetti (9) and Geren. W—Cadaret, 1-1. L—Finley, 3-1. Sv—Righetti (5).

Minnesota 000 000 000—0 6 0
Cleveland 000 020 10x—3 9 1
/ Anderson, Leach (7), Aguilera (8) and Ortiz; Farrell, Orosco (9) and Alomar. W—Farrell, 2-1. L—Anderson, 1-3. Sv— Orosco (1).

Texas 100 122 021—9 13 1
Kansas City 010 000 010—2 11 1
Brown, Jeffcoat (8) and Stanley; S.Davis, McWilliams (5), Appier (5), Baller (8), M.Davis (9) and Boone. W—Brown, 4-0. L—S.Davis, 1-3. HR—Texas, Franco (1).

Toronto 000 202 000—4 8 3
Chicago 120 020 00x—5 6 0
Flanagan, Acker (5), Henke (8) and Myers, Borders (6); Kutzler, Radinsky (6), Pall (6), B.Jones (7), Thigpen (8) and Fisk. W—Kutzler, 1-0. L—Flanagan, 2-1. Sv—Thigpen (5). HRs—Toronto, Bell (5). Chicago, Sosa (1), Calderon (2).

Milwaukee 004 100 000— 5 9 1
Detroit 000 040 54x—13 17 0
Mirabella, August (5), Fossas (7) and O'Brien; Tanana, Henneman (8), Lugo (9) and Heath. W—Tanana, 2-1. L—August, 0-2. HRs—Milwaukee, Yount (1), Deer (3). Detroit, Fielder 2 (6), Lemon (1).

Seattle 110 010 001—4 9 1
Baltimore 101 000 010—3 5 0
M.Young, Harris (6), Jackson (8), Schooler (9) and Bradley; Harnisch, Hickey (8), Williamson (9) and Melvin. W—Jackson, 1-0. L—Hickey, 0-2. Sv—Schooler (5). HR—Seattle, Griffey (4).

NATIONAL LEAGUE

Montreal 110 000 200—4 12 1
Cincinnati 011 300 01x—6 9 1
Boyd, Sampen (4), Hall (7), Frey (8) and Fitzgerald, Santovenia (7); Armstrong, Dibble (7), Myers (8) and Oliver. W—Armstrong, 4-0. L—Boyd, 1-2. Sv— Myers (4). HRs—Cincinnati, Duncan (4), Sabo (5), O'Neill (2).

St. Louis 002 001 002—5 10 0
San Francisco 000 000 000—0 7 1
Tudor, Dayley (8), Terry (9) and Zeile; Garrelts, O'Neal (7), Brantley (7), Camacho (9) and Carter. W—Tudor, 4-0. L— Garrelts, 0-2. HR—St. Louis, Thompson (1).

Philadelphia 000 010 001—2 8 0
Atlanta 100 000 000—1 8 2
Mulholland, Akerfelds (6), Parrett (8), McDowell (9) and Lake, Daulton (8); Glavine, Boever (9) and Olson. W—Parrett, 1-2. L—Boever, 0-1. Sv—McDowell (6). HR—Philadelphia, C.Martinez (2).

New York 040 000 000—4 7 1
Houston 102 211 01x—8 11 1
Fernandez, Pena (4), Musselman (5), Ojeda (7) and Sasser, Mercado (7); Gullickson, Agosto (6), D.Smith (8) and Trevino. W—Gullickson, 1-1. L—Fernandez, 1-2. Sv—D.Smith (6). HRs—Houston, G.Davis (4), Young (1).

Chicago 001 000 003—4 7 3
Los Angeles 022 000 001—5 10 1
S.Wilson, Mi.Williams (8) and Girardi; R.Martinez and C.Hernandez. W— R.Martinez, 2-0. L—Mi.Williams, 0-1. HR—Chicago, Dunston (3).

Pittsburgh 102 100 000—4 12 2
San Diego 000 111 000—3 8 1
Walk, Bair (7), Ruskin (8), Landrum (8) and LaValliere, Slaught (8); Benes, Clements (4), G.Harris (6), Lefferts (8) and Santiago. W—Walk, 1-3. L—Benes, 2-2. Sv—Landrum (3). HRs—San Diego, JaClark (4), Santiago (4), Roberts (2).

### Japan Baseball

| Central League | W | L | T | Pct. | GB |
|---|---|---|---|---|---|
| Yomiuri | 14 | 4 | 0 | .778 | — |
| Taiyo | 10 | 5 | 1 | .656 | 2½ |
| Hanshin | 8 | 9 | 0 | .471 | 5½ |
| Yakult | 6 | 9 | 0 | .400 | 6½ |
| Hiroshima | 6 | 11 | 0 | .353 | 7½ |
| Chunichi | 5 | 11 | 1 | .324 | 9 |
| **Pacific League** | | | | | |
| Seibu | 10 | 3 | 0 | .769 | — |
| Lotte | 7 | 3 | 0 | .700 | 1½ |
| Nippon Ham | 8 | 6 | 0 | .571 | 2½ |
| Orix | 7 | 7 | 1 | .500 | 3½ |
| Kintetsu | 5 | 10 | 0 | .333 | 6 |
| Daiei | 3 | 11 | 1 | .233 | 7½ |

SATURDAY'S RESULTS
Yomiuri 5, Yakult 3
Taiyo 1, Hanshin 0
Hiroshima 7, Chunichi 3
Lotte 4, Seibu 3
Kintetsu 9, Orix 4, 10 innings
Nippon Ham 4, Daiei 3, 10 innings

SUNDAY'S RESULTS
Kintetsu 15, Orix 2
Nippon Ham 8, Daiei 3
Yomiuri 11, Yakult 1
Hanshin 8, Taiyo 2
Chunichi 5, Hiroshima 1

## CRICKET

6-Nation Austral-Asia Cup
In Sharjah, United Arab Emirates
Saturday: New Zealand vs. Bangladesh
New Zealand 338-4 (50 overs);
Bangladesh 177-5 (50 overs).

Sunday: Pakistan vs. Sri Lanka
Pakistan 311-8 (50 overs);
Sri Lanka 227 (all out for 47.4 overs).

## BASKETBALL

### NBA Playoffs

(First Round: Best of five games)

FRIDAY'S RESULTS

EASTERN CONFERENCE

Milwaukee 27 25 22 23— 97
Chicago 26 28 25 32—111
MILWAUKEE: Roberts 1-3 4-4 6, Lohaus 1-7 0-0 3, Sikma 3-8 0-0 6, Robertson 8-12 6-8 22, Humphries 3-6 5-5 11, Anderson 5-5 3-4 13, Pierce 11-21 6-8 28, Pressey 3-4 2-3 8, Brown 0-0 0-0 0, Kornet 0-0 0-0 0, Grayer 0-0 0-0 0, Horford 0-0 0-0 0. Totals 35-66 26-32 97.
CHICAGO: Pippen 7-12 3-4 17, Grant 8-14 3-5 19, Cartwright 5-12 3-4 13, Paxson 1-2 2-2 4, Jordan 15-27 8-11 38, King 2-6 5-7 9, Hodges 2-3 0-0 4, Armstrong 1-1 0-0 2, Sanders 0-0 0-0 0, Nealy 1-1 1-1 3, Davis 1-2 0-0 2. Totals 43-81 25-34 111.
3-Point goals—Milwaukee 1-7 (Lohaus 1-3, Humphries 0-1, Pierce 0-1, Sikma 0-2), Chicago 0-1 (Jordan 0-1). Fouled out—Lohaus. Rebounds—Milwaukee 35 (Lohaus 7), Chicago 49 (Pippen 16). Assists—Milwaukee 22 (Humphries 12), Chicago 31 (Pippen 13). Total fouls—Milwaukee 25, Chicago 24. Technical—Anderson.
Chicago leads series 1-0

WESTERN CONFERENCE

Phoenix 24 23 28 21— 96
Utah 27 31 25 30—113
PHOENIX: Chambers 5-16 8-9 19, Rambis 3-4 0-0 6, West 2-7 0-0 4, K.Johnson 0-1 0-0 0, Hornacek 8-12 4-4 20, Majerle 7-14 9-12 23, E.Johnson 3-11 2-4 11, Lang 0-0 0-0 0, Grant 2-6 0-0 4, McGee 3-6 0-2 9. Totals 33-77 24-31 96.
UTAH: Malone 8-20 5-6 21, Bailey 7-12 2-2 16, Eaton 2-2 0-1 4, Stockton 7-16 2-2 16, Hansen 6-11 1-2 16, Rudd 2-3 0-0 4, M.Brown 3-5 1-1 7, Edwards 4-8 2-2 11, Leckner 2-2 3-3 8, Griffith 5-10 0-0 10, R.Brown 0-0 0-0 0. Totals 46-89 16-19 113.
3-Point goals—Phoenix 6-14 (McGee 3-5, E.Johnson 2-6, Chambers 1-1, Hornacek 0-1, Majerle 0-1, Grant 0-1), Utah 5-9 (Hansen 3-5, Edwards 1-2, Leckner 1-1, Stockton 0-1). Fouled out—None. Rebounds—Phoenix 50 (Rambis 9), Utah 47 (Malone 11). Assists—Phoenix 23 (Hornacek 6), Utah 26 (Stockton 17). Total fouls—Phoenix 18, Utah 23.
Utah leads series 1-0

Houston 27 22 18 22— 89
LA Lakers 21 22 26 32—101
HOUSTON: B.Johnson 6-14 1-3 13, Thorpe 8-14 5-6 21, Olajuwon 5-13 3-4 13, Floyd 6-17 0-1 12, Maxwell 8-20 1-4 20, Smith 3-3 0-0 6, Wiggins 1-3 0-0 2, Woodson 1-3 0-0 2, Bowie 0-1 0-0 0. Totals 38-88 10-18 89.
LA LAKERS: Green 6-11 1-2 13, Worthy 17-22 0-0 34, Thompson 4-7 4-4 12, E.Johnson 8-17 6-6 23, Scott 3-13 0-0 7, Cooper 0-1 0-0 0, Woolridge 3-5 2-4 8, Divac 2-3 0-0 4, Drew 0-0 0-0 0, Vincent 0-0 0-0 0. Totals 43-79 13-16 101.
3-Point goals—Houston 3-9 (Maxwell 3-6, Woodson 0-1, Floyd 0-2), Los Angeles 2-7 (E.Johnson 1-3, Scott 1-4). Fouled out—None. Rebounds—Houston 44 (Olajuwon 14), Los Angeles 53 (Worthy 11). Assists— Houston 21 (Floyd 5), Los Angeles 27 (E.Johnson 14). Total fouls—Houston 17, Los Angeles 17. Technicals—Los Angeles illegal defense, Thorpe, Olajuwon.
Los Angeles leads series 1-0

SATURDAY'S RESULTS

EASTERN CONFERENCE

New York 38 21 34 35—128
Boston 41 33 42 41—157
NEW YORK: Walker 0-1 2-2 2, Vandeweghe 6-11 1-2 13, Ewing 11-18 6-6 28, Cheeks 2-8 2-2 6, G.Wilkins 10-20 4-4 24, Newman 8-16 4-6 21, Oakley 4-10 3-6 11, Tucker 3-6 0-0 8, Jackson 5-8 1-1 11, E.Wilkins 0-0 0-0 0, Quinnett 1-1 0-0 2, Grey 1-1 0-0 2. Totals 51-100 23-29 128.
BOSTON: McHale 12-15 7-7 31, Bird 5-15 5-6 15, Parish 6-11 6-6 18, Johnson 5-7 1-1 12, Lewis 9-13 3-3 21, Paxson 4-6 3-3 11, Bagley 5-7 0-1 10, Kleine 4-4 0-0 8, M.Smith 4-5 1-1 9, Pinckney 6-6 4-5 16, Gamble 2-4 0-0 4, C.Smith 1-1 0-0 2. Totals 63-94 30-33 157.
3-Point goals—New York 3-11 (Tucker 2-5, Newman 1-3, Vandeweghe 0-1, G.Wilkins 0-1, Jackson 0-1), Boston 1-6 (Johnson 1-1, McHale 0-1, Bird 0-4). Fouled out—None. Rebounds—New York 43 (Oakley 9), Boston 46 (Parish 16). Assists—New York 25 (G.Wilkins 7), Boston 46 (Bird 16). Total fouls—New York 27, Boston 20.
Boston leads series 2-0

Indiana 16 25 22 24— 87
Detroit 20 21 33 26—100
INDIANA: Person 7-18 2-4 16, Schrempf 7-16 1-2 15, Smits 2-8 0-0 4, Miller 7-11 7-8 23, Fleming 9-14 1-2 19, Thompson 2-4 0-0 4, McCloud 1-2 0-0 2, Natt 0-0 0-0 0, Green 1-3 0-0 2, Sanders 1-2 0-0 2. Totals 37-78 11-16 87.
DETROIT: Rodman 0-2 1-2 1, Edwards 5-12 4-6 14, Laimbeer 10-15 2-2 22, Dumars 7-17 5-6 19, Thomas 3-10 6-6 13, Salley 3-5 5-6 11, Johnson 3-6 3-4 9, Aguirre 4-8 3-3 11. Totals 35-75 29-35 100.
3-Point goals—Indiana 2-9 (Miller 2-4, Schrempf 0-1, Fleming 0-1, Person 0-3), Detroit 1-5 (Thomas 1-1, Dumars 0-1, Aguirre 0-1, Laimbeer 0-2). Fouled out— None. Rebounds—Indiana 44 (Person 12), Detroit 48 (Laimbeer 11). Assists—Indiana 16 (Fleming 7), Detroit 23 (Thomas 12). Total fouls—Indiana 29, Detroit 22. Technicals—Thompson, Schrempf, Detroit coach Daly.
Detroit leads series 2-0

WESTERN CONFERENCE

Denver 33 29 33 25—120
San Antonio 41 26 29 33—129
DENVER: English 6-12 4-5 16, Lane 0-1 0-0 0, Carroll 6-8 0-0 12, Lever 9-24 8-8 26, Adams 5-12 2-2 14, Hanzlik 1-7 4-4 6, Lichti 1-3 3-6 5, Davis 5-15 3-3 13, Rasmussen 7-14 4-4 18, Kempton 5-7 0-0 10, Dunn 0-0 0-0 0. Totals 45-103 28-32 120.
SAN ANTONIO: Elliott 7-11 4-5 18, Cummings 10-16 1-2 21, Robinson 11-16 9-14 31, Strickland 7-15 2-4 16, Anderson 9-20 7-9 25, Wingate 2-5 0-0 4, Brickowski 3-5 2-4 8, Moore 3-7 0-0 6, Jones 0-1 0-0 0, Williams 0-1 0-0 0. Totals 52-97 25-38 129.
3-Point goals—Denver 2-12 (Adams 2-7, Lichti 0-1, Lever 0-4), San Antonio 0-2 (Moore 0-1, Wingate 0-1). Fouled out— Hanzlik. Rebounds—Denver 64 (Lever 16), San Antonio 56 (Cummings 13). Assists— Denver 31 (Lever 9), San Antonio 34 (Strickland 13). Total fouls—Denver 32, San Antonio 28. Technicals—Cummings, Wingate.
San Antonio leads series 2-0

Dallas 38 27 18 24—107
Portland 24 39 27 24—114
DALLAS: Tarpley 9-16 4-4 22, Perkins 6-10 2-3 14, Donaldson 1-1 2-2 4, Harper 7-20 7-9 22, Blackman 7-15 8-8 22, H.Williams 4-7 6-6 14, Wennington 0-3 0-0 0, Alford 2-5 2-2 8, White 0-0 0-0 0. Totals 36-77 31-34 107.
PORTLAND: Kersey 6-14 4-8 16, B.Williams 6-9 4-9 16, Duckworth 8-13 2-2 18, Drexler 5-21 4-4 14, Porter 7-15 0-0 15, Young 5-7 0-0 12, Robinson 2-6 1-2 5, Cooper 1-1 2-3 4, Petrovic 5-10 2-2 14. Totals 41-96 27-38 114.
3-Point goals—Dallas 4-9 (Alford 2-2, Harper 2-7), Portland 5-12 (Petrovic 2-2, Young 2-3, Porter 1-6, Drexler 0-1). Fouled out—Perkins, Duckworth. Rebounds—Dallas 50 (Tarpley 17), Portland 60 (B.Williams 13). Assists—Dallas 18 (Blackman 5), Portland 25 (Drexler 7). Total fouls—Dallas 27, Portland 27. Technicals—Petrovic, Harper, Dallas coach Adubato, Dallas illegal defense. A—12,884.
Portland leads series 2-0

## TENNIS

MEN'S TOURNAMENT
In Monte Carlo, Monaco
Quarterfinals
Andrei Chesnokov (12), Soviet Union, def. Marc Rosset, Switzerland, 6-3, 6-2; Henri Leconte, France, def. Horst Skoff, Austria, 6-2, 6-7, (3-7), 6-4; Emilio Sanchez (7), Spain, def. Boris Becker (2), West Germany, 4-6, 7-5, 7-6 (7-3); Thomas Muster, Austria, def. Juan Aguilera, Spain, 6-3, 6-4.
Semifinals
Muster def. Leconte, 6-2, 6-3; Chesnokov def. Sanchez, 4-6, 6-1, 7-6 (7-2).
Final
Chesnokov def. Muster, 7-5, 6-3, 6-3

WOMEN'S TOURNAMENT
In Barcelona, Spain
Quarterfinals
Arantxa Sanchez Vicario (1), Spain def. Isabelle Demongeot (8), France, 6-1, 6-0; Judith Wiesner (3), Austria def. Rachel McQuillan (6), Australia, 6-2, 6-3; Mary Joe Fernandez, Miami, def. Laura Golarsa, Italy, 6-1, 6-1; Isabel Cueto, West Germany, def. Julie Halard (7), France, 6-2, 6-4.
Semifinals
Sanchez Vicario def. Wiesner, 6-2, 6-1; Cueto def. Fernandez, 7-5, 4-6, 6-4
Final
Sanchez Vicario def. Cueto, 6-4, 6-2

## HOCKEY

### NHL Playoffs

DIVISION FINALS
(Series are the best of seven games.)
Smythe Division
Edmonton beat Los Angeles 4-0

FRIDAY'S RESULTS
Patrick Division
Washington 1 0 0 1—2
N.Y. Rangers 0 0 1 0—1
First Period—1, Washington, Miller 2 (Tucker, Langway), 3:16. Second Period—None. Third Period—2, New York, Rochefort 2, 1:47. Overtime—3, Washington, Druce 12 (Courtnall, Tucker), 6:48.
Shots on goal—Washington (on Vanbiesbrouck) 10-14-4-5—33. New York (on Liut) 4-13-9-4—30.
Washington wins series 4-1

Adams Division
Montreal 0 1 0—1
Boston 1 0 2—3
First Period—1, Boston, Burridge 3 (Poulin, D.Sweeney), 10:00 (sh). Second Period—2, Montreal, Lebeau 3 (Schneider), 9:27. Third Period—3, Boston, Wesley 2 (Janney, Galley), 18:47. 4, Boston, Neely 7, 19:55 (en).
Shots on goal—Montreal (on Moog) 7-11-6—24. Boston (on Roy) 7-16-8—31.
Boston wins series 4-1

SATURDAY'S RESULTS
Norris Division
Chicago 0 2 0—2
St. Louis 2 1 1—4
First Period—1, St. Louis, Hull 12 (Oates, Momesso), 1:36 (pp). 2, St. Louis, Lowry 2 (Tuttle, J.Brown), 2:30. Second Period—3, Chicago, Savard 3 (Roenick, D.Wilson), 7:39 (pp). 4, Chicago, Roenick 7 (Savard, B.Murray), 14:32 (pp). 5, St. Louis, Hull 13 (Zezel), 15:18. Third Period—6, St. Louis, R.Sutter 2 (R.Wilson, G.Cavallini), 11:07.
Shots on goal—Chicago 11-10-18—39. St. Louis 6-9-11—28. Goalies—Chicago, Belfour, Cloutier. St. Louis, Riendeau. A—18,081.
Series tied 3-3

### World Championship

STANDINGS (Through Saturday)
Medal Group

| | W | L | T | Pts | GF | GA |
|---|---|---|---|---|---|---|
| Czechoslovakia | 1 | 0 | 0 | 2 | 3 | 2 |
| Soviet Union | 1 | 0 | 0 | 2 | 3 | 0 |
| Canada | 0 | 1 | 0 | 0 | 2 | 3 |
| Sweden | 0 | 1 | 0 | 0 | 0 | 3 |
| **Relegation Group** | | | | | | |
| United States | 4 | 4 | 0 | 8 | 28 | 40 |
| Finland | 2 | 5 | 1 | 5 | 26 | 28 |
| Norway | 1 | 6 | 1 | 3 | 20 | 53 |
| West Germany | 0 | 8 | 0 | 0 | 14 | 41 |

FRIDAY'S RESULTS
Finland 8, Norway 1
United States 5, West Germany 3

SATURDAY'S RESULTS
Czechoslovakia 3, Canada 2
Soviet Union 3, Sweden 0

SUNDAY'S RESULTS
Finland 1, West Germany 1
Norway 1, United States 4

## SOCCER

ITALIAN FIRST DIVISION
Cesena 1, Verona 0
Cremonese 0, Sampdoria 3
Fiorentina 4, Atalanta 1
Genoa 2, Ascoli 0
Lecce 2, Juventus 3
AC Milan 4, Bari 0
Napoli 1, Lazio 0
AS Roma 2, Bologna 2
Udinese 4, Inter Milan 3
Final Standings: Napoli 49 pts, AC Milan 47, Inter Milan 44, Juventus 44, Sampdoria 42, AS Roma 41, Atalanta 35, Bologna 34, Bari 31, Lazio 31, Genoa 29, Lecce 28, Fiorentina 28, Cesena 28, Udinese 27, Verona 25, Cremonese 23, Ascoli 21.

FRENCH FIRST DIVISION
Lyon 3, Toulon 2
Nantes 2, Bordeaux 1
Toulouse 4, Cannes 0
Nice 1, Monaco 0
Metz 1, Brest 1
Montpellier 5, Caen 1
Racing Paris 3, St Etienne 0
Sochaux 1, Lille 0
Auxerre 2, Paris St Germain 0
Olympique Marseille 3, Mulhouse 1
Standings: Marseille 49; Bordeaux 47; Monaco 41; Auxerre, Sochaux, Paris St Germain 39; Nantes, Toulouse 36; Lyon 35; Brest 34; Metz, St Etienne 33; Cannes, Toulon 32; Montpellier, Lille 31; Caen 30; Nice, Racing Paris 29; Mulhouse 25.

WEST GERMAN FIRST DIVISION
St Pauli 0, Kaiserslautern 2
FC Homburg 0, SV Hamburg 1
Bayer Leverkusen 0, Bayern Munich 0
Werder Bremen 0, Bayer Uerdingen 0
Borussia Dortmund 2, VfB Stuttgart 0
FC Nuremberg 2, VFL Bochum 1
Moenchengladbach 2, Eintracht Frankfurt 1
Karlsruhe 4, Waldhof Mannheim 0
Fortuna Dusseldorf 1, FC Cologne 1
Standings: B. Munich 44; B. Leverkusen, FC Cologne 39; Eintracht Frankfurt, B. Dortmund 38; VfB Stuttgart 33; Werder Bremen, FC Nuremberg, Karlsruhe 30; St Pauli, Kaiserslautern 29; B. Uerdingen 28; SV Hamburg, B. Moenchengladbach 27; SV Waldhof Mannheim, Fortuna Dusseldorf 26; VfL Bochum 25; Homburg 20.

DUTCH FIRST DIVISION
Vitesse Arnhem 0, NEC Nijmegen 0
Ajax 2, Roda JC Kerkrade 3
FC Den Haag 0, Willem II Tilburg 3
Sparta Rotterdam 4, BVV Den Bosch 2
FC Twente Enschede 4, FC Groningen 1
Maastricht VV 1, Haarlem 1
PSV Eindhoven 1, Feyenoord 1
RKC Waalwijk 3, Fortuna Sittard 1
Standings: Ajax; PSV Eindhoven 46; F Twente Enschede 42; V. Arnhem, Roda JC Ker rade 39; FC Volendam, RKC Waalwijk 37; Fort na Sittard 36; FC Groningen 33; FC Den Haag 3 Sparta Rotterdam 30; Feyenoord 29; FC Utrech MVV Maastricht 27; Willem II 26; NEC Nijm gen 25; BVV Den Bosch 23; Haarlem 15.

ENGLISH FIRST DIVISION
Arsenal 2, Millwall 0
Aston Villa 3, Norwich 3
Charlton 1, Sheffield Wednesday 2
Liverpool 2, Queen's Park Rangers 1
Luton 1, Crystal Palace 0
Manchester City 0, Derby 1
Southampton 3, Coventry 0
Wimbledon 1, Tottenham 0
Standings: Liverpool 73; Aston Villa 69; To tenham Hotspur 60; Arsenal, Everton 58; Che sea 57; Southampton 55; Norwich City 52; Win bledon 51; Queen's Park Rangers 50; Coventr City 49; Nottingham Forest 48; Manchester Cit 47; Derby County 46; Manchester United, Cry tal Palace 44; Sheffield Wednesday 43; Luto Town 40; Charlton Athletic 30; Millwall 26.

ENGLISH LEAGUE CUP FINAL
Nottingham Forest 1, Oldham 0

SPANISH FIRST DIVISION
Atletico de Madrid 3, Real Madrid 3
Logrones 1, Gijon 0
Vigo 1, Valencia 2
Tenerife 0, Cadiz 1
Real Sociedad 1, Malaga 1
Rayo Vallecano 2, Sevilla 1
Barcelona 4, Athletic de Bilbao 2
Mallorca 0, Zaragoza 1
Castellon 1, Valladolid 1
Oviedo 2, Osasuna 0
Standings: Real Madrid 60; Barcelona, Va lencia 51; Atletico Madrid 50; Sevilla 43; Rea Sociedad 42; Logrones 41; Osasuna 40; Ovie do 39; Real Mallorca, Zaragoza 38; Athleti Bilbao 35; Sporting Gijon 32; Castellon 30 Valladolid 29; Cadiz 28; Tenerife, Malaga 2 Celta Vigo 22; Vallecano 19.

## CYCLING

### Tour of Spain

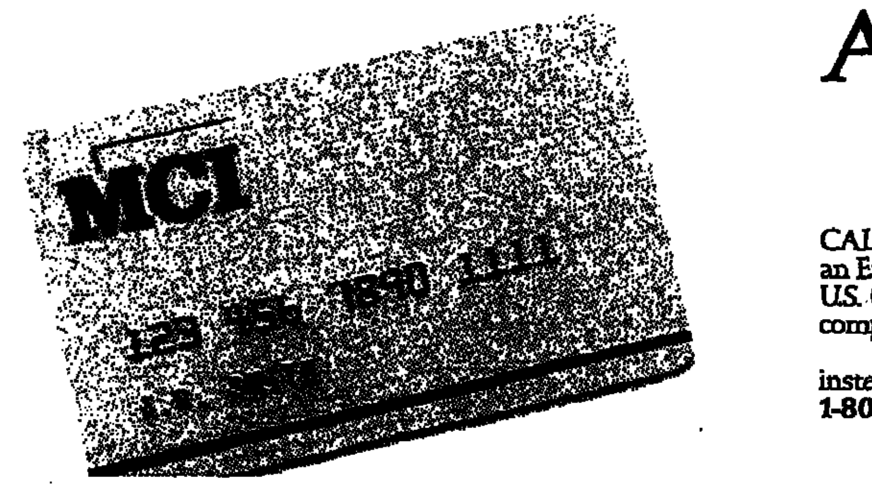
Results Saturday from the 133-mile fifth le
1. Patrice Esnault, France, 5 hours, 38 minute 37 seconds; 2. Martin Farfan, Colombia, 2: behind; 3. Carlos Mario Jaramillo, Colombia 3:0 behind; 4. Tony Rominger, Switzerland, 3:16 be hind; 5. Luis Herrera, Colombia, 3:25 behind.
Results Sunday from the 121-mile sixth leg
1. Jesper Worre, Denmark, 5 hours, 8 min utes and 49 seconds; 2. Hartmut Bolts, W.Ger many, at 1:01; 3. Fernando Quevedo, Spair 1:02.

Overall Standings
1. Julian Gorospe, Spain, 24:16:35; 2. Gi vannetti, 25 seconds behind; 3. Viktor Klimo Soviet Union, 45 secs; 4. Julio Cesar Cade Colombia, 56 secs; 5. Ivan Ivanov, Soviet Union, 1:56 behind; 6. Unzaga, 2:30.

## GOLF

Final scores Sunday in the Spanish Open o the par-72, 7,047-yard Club de Campo course i Madrid:

| | |
|---|---|
| Rodger Davis, Australia, | 74-69-68-66—27 |
| Nick Faldo, England, | 70-71-72-65—27 |
| Bernhard Langer, W.Germany, | 70-71-69-68—2 |
| Peter Fowler, Australia, | 72-68-69-69—2 |
| Stephen McAllister, Scotland, | 74-71-65-70—2 |
| Yago Beamonte, Spain, | 71-75-67-68—2 |
| Seve Ballesteros, Spain, | 74-70-68-69—2 |
| Jose Maria Olazabal, Spain, | 71-67-71-72—2 |
| Steve Bowman, U.S., | 71-70-68-72—2 |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# Bertolucci's Voyage Into Paul Bowles's Sky

*International Herald Tribune*

LONDON — Cults are not attractive to nonmembers and so for a long time Bernardo Bertolucci resisted reading the Paul Bowles novel "The Sheltering Sky," the story of a young American couple's journey into themselves and across the North African desert which has become a cult novel since it was published in 1949. Then, on the way to China to film the Oscar-winning "The Last Emperor," he read it and now he is editing his film version in London.

One of the attractions of "The Sheltering Sky" was to make a small film after a huge epic. But it is nearly impossible these days to make a small film, especially if you are a big-time director.

"The fact that 'The Sheltering Sky' is financially so heavy made me unhappy at the beginning, but I guess that is the price you pay for nine Oscars," Bertolucci said, starting to smile. "Everybody expands, all my collaborators are expanding. So when I asked for three fish skeletons which are in the garbage at the beginning of the film, two thousand plastic fish skeletons came up. What can I do?"

"The Sheltering Sky," shot in Morocco, Algeria and Niger with most of the key team from "The Last Emperor" and with Debra Winger and John Malkovich as Kit and Port, attracted Bertolucci not only because he sees it as a small love story but because he found it full of what he calls a strange poison. Bertolucci was a poet before he became a filmmaker and he chooses his words for their precise meaning and for their reverberations: The poison is not only in the plot and in the decadent society he always shows in his films but in the relationship between Kit and Port which, he thinks, makes the book more than a postwar period piece filled with frowning existentialist languor.

"On the one hand it is a typically 1948-49 story, but if people are still reading it something must correspond to our reality today. This couple is very much in love after a long period of living together, but completely unable to be happy within love. I think this is something very common, something I can see every day just looking around my friends.

"This is the poison which doesn't allow Kit and Port to be happy being so symbiotic in some ways, being so close, knowing each other so well. The symbiosis becomes suffocating."

Although in the book the couple occupy separate rooms, Bertolucci and Mark Peploe, the screenwriter, have added a love

MARY BLUME

scene. They have also added some music by Paul Bowles and the presence of Bowles himself.

"In the beginning there is a scene in the bar where they plan their trip and we have put Paul Bowles there, like a witness. He doesn't speak. Then we hear this voice-over in a very economic way for four or five moments and we know it is the voice of the old man with those blue liquid eyes. And at the end of the movie he reappears and I think that's very exciting. I think you have never had that in a movie — to have the writer of the book seeing the characters he invented 40 years ago."

Bertolucci found Bowles, 80, fascinating in his attempted conventionality: "He always wears a tie, an elegant old man, and underneath you feel there is a very transgressing person." During the shooting, Bertolucci invented a new ending in which Winger happens on Bowles and asks him, "Are you lost?" He shot two versions: in one Bowles says "yes," in the other he says "no." Bertolucci hasn't decided between them and is mulling another solution. "I haven't chosen, I haven't gotten to the end yet."

Instead of an old moviola machine and strips of film, he is editing in glossy offices with a laser disk, computer and two monitors: quicker and more suited to the TV screen where these days all films end up. "It is very aseptic," Bertolucci says. When anguish closes in, he goes to the next room where the assistant editor is working with real film.

Technology apart, the cutting process remains the same: "The cutting room is a kind of mine. Like miners, we go every day. We hope to find things that were predicted in some way. You have what you have and then there is always a subtext which I am not aware of in the shooting and which comes out in the editing."

As a short break, Bertolucci will head the jury of this year's Cannes Festival which he first attended with his early film, "Before the Revolution."

"The previous times it was like going to an exam, each time I lost a few months of life because it's such an anxious occasion. This time it's on the other side. I'm going to see many movies, I'll come back with my eyes full of other images, I hope to hit on some pleasure."

Like Pasolini, whose first film, "Accattone," he worked on, Bertolucci came to the movies straight from poetry with no technical training, something inconceivable today. He no longer writes but says he misses it a lot. "In the beginning I was saying I can create a little corner where I can be alone in the middle of other people."

An illusion?

"An illusion," he said.

A survivor from a greatly gifted and fading generation of filmmakers, Bertolucci, 49, has withstood neglect and excessive praise: Pauline Kael celebrated "Last Tango in Paris" as a landmark comparable in film history to the premiere of Stravinsky's "Le Sacre du Printemps" in 1913. "Movies that are successful are difficult because one gets addicted," Bertolucci says. "Every time I make a successful movie I fall into a terrible depression."

He lives with his English wife, partly in Rome, partly in London and he is wearing English brown suede shoes and Armani gray flannels. A Marxist from early days, he approves of the changes going on in the Italian Communist Party and would feel optimistic, he says, were he not worn down by "The Sheltering Sky" and its poison. "It's dangerous, this movie, I have never seen actors so bouleversé as during the shooting. And myself."

Originally, he cast William Hurt and Melanie Griffith, instead of Malkovich and Winger, but both decided to have babies instead. He faced the same situation in "Last Tango in Paris" where his original actors, Jean-Louis Trintignant and Dominique Sanda, both of whom he had directed in "The Conformist," dropped out to be replaced, triumphantly, by Marlon Brando and Maria Schneider. He sees a connection between the Brando and the Malkovich characters, different as they are:

"They are both burning at a temperature which is too high," he said.

Between "Last Tango" and "The Last Emperor," Bertolucci went through a lean period which he thinks was eased by leaving Italy. "I couldn't breathe in Italy in the beginning of the 1980s. It was coming out of the terrible years of terrorism — a society which conjugated terrorism with the most incredible economic boom. The two things together were sinister. I had the chance, the luck, to go to China.

"Going to China I was able to go back to Italy with more love, as if I understood things about Italy through the Chinese experience. In fact, I think 'The Last Emperor' is a very Italian melodramatic movie."

And "The Sheltering Sky"? "I don't know what it is, or if we will survive the poison which is very dangerous."

All this talk about poison is surely going to set the shining teeth of Bertolucci's American distributors on edge. "It's in the movie. I want to discourage the distributors from describing this movie as another 'Last Emperor' because it isn't. It's not right because every time you cheat you are punished because audiences look for something they won't find. So if there is poison, there is poison," he said.

Bernardo Bertolucci and Paul Bowles.

## LANGUAGE

# Getting There in a Handbasket

By William Safire

WASHINGTON — "Harry and I have been wondering," writes Lois Reasoner of Westport, Connecticut, "about the origin of the phrase *going to hell in a handbasket*. We have heard it used in conversation five times in the past few months."

I have the vision conjured in my mind of the genial inquisitor of "60 Minutes," counting the times his Connecticut neighbors use this phrase, and finally exploding, "Five! That's it, Lois — roust out Safire and find out why."

Lexicographers call this "old slang" — a figure of speech used by people who stopped picking up the latest slang about two generations ago. *To hell in a handbasket* means either "to one's doom" or — if used mockingly to describe a small dissipation — merely "mildly indulgent."

The origin is believed to be *to heaven in a handbasket*, a locution that Dialect Notes spotted in 1913 in Kansas, where it was taken to mean "to have a sinecure." One who was nicely ensconced in an untouchable job was said to be on the way *to heaven in a handbasket*. When used in Wisconsin a decade later, the term was defined as "to do something easily."

Then the direction changed. The alliteration remained the same, but the first stage of this rocket dropped off and was lost in the sea of archaic phrases; the second stage, with *hell* substituted for *heaven*, took us to where we are today: the meaning is "to degenerate rapidly; to fall apart suddenly."

The final stage? We cannot tell; *down the tubes in a handbasket* uses modern surfers' lingo but lacks the alliterative zing.

What is it about a *handbasket* — a word rarely used now outside the hellish phrase — that makes it so useful in talk of decadence, degeneration, declension and downfall? The key quality is portability; the basket is small enough to be carried in one hand, and anything in it is little or light. From a couple of centuries after its coinage, the word lent itself to *belittlement* in phrasemaking: in the play "Juliana, or the Princess of Poland" by John Crowne in 1671, a character says, "I can see when I see, surely; I don't carry my eyes in a hand-basket." Most people who use *old slang are long in the tooth*, a folk metaphor of uncertain age first used in print by William Makepeace Thackeray in an 1852 novel: "She was lean, and yellow, and long in the tooth; all the red and white in all the toyshops of London could not make a beauty of her."

The term is current: "For New Yorkers long in the tooth," wrote Donal Henahan in a New York Times review of an opera, "'Il Pirata' is probably best recalled as a concert vehicle for Maria Callas."

The phrase was originally applied to horses. As a horse ages, its gums recede, making the teeth look longer; the term as applied to humans as well as horses now means "aging, getting on in years" and is taken as a slur by anti-agists.

While dishing out this fodder for phrasedicks, I will now turn to the mysterious *dressed to the nines*, subject of many queries.

As artists know, the number of Muses is nine; some fanciful originicists see that as the source for the fashion term. A more respectable etymologist, W.W. Skeat, recalled that the old plural for *eye* was *eyne* and speculated that *to the nines* was derived from *to then eyne*, but at that stage of his life, the great wordsmith was long in the tooth and his work was going to hell in a handbasket.

*Nine* is the highest single-digit number; it stands for "the best, the highest, the nearest to perfection." In 1787, the poet Robert Burns wrote, "'Twad please me to the nine." The phrase *up to the nines* had this meaning of excellence, and in Hotten's 1859 dictionary of slang was defined as "up to the dodges and 'wrinkles' of life" — what we would now say is a state "capable of coping with stress." Hotten also included *dressed up to the nines*, defined as we use it today: "in a showy or recherché manner."

The fashion phrase was temporarily replaced in the 1890s with *dressed to kill* (and even now, women yearn for that *drop-dead dress*), but numerals have largely replaced mayhem in dressessment, and *dressed to the nines* is again with us. I counted its use five times in the past few months. I like the old slang.

When the news media get on your case, nothing you do is right.

Marion Barry Jr., the beleaguered mayor of Washington (I prefer *beleaguered*, "besieged by encirclement," to the more general *embattled*, the other adjective now appended to his title), was the recipient of a pop first from City Paper in Washington and later from The Washington Monthly in the form of its "Memo of the Month." This feature presents for public ridicule the best bureaucratic effluvia it can find.

In the current issue, a letter purported to be from Barry to the head of a citizens' association is pictured, letterhead, signature and all. Barry thanks the committee for its "hands on [*sic — should be hyphenated*] participation in issues which [*sic — should be 'that'*] effect the city [*sic — should be 'affect'*]. . . ."

The letter writer, trying to be helpful, goes on: "I am providing you with a copulation of answers to several questions raised."

Presumably the writer meant *compilation*, a collection or gathering-together, from the Latin *compilatio*, "pillaging" (an unfair derogation of anthologists). Did Barry really make the mistake?

Lurma Rackley, his press secretary, insists that the letter was prepared by someone no longer at the Office of County Affairs, was never sent to the mayor's office for proofreading or approval, and was not signed or even read by the mayor. But having delegated the authority to sign his name, he was responsible for the error.

It wasn't until after the letter was delivered to the citizens' association that the mistake was spotted (not the lack of hyphenation in *hands-on*, but one of the others) and sent back for revision. Too late; photocopies of the as-delivered original were sent around to much giggling and snickering.

Proofreading, as this episode shows, is an undervalued endeavor. Never trust your own copy; get somebody else to look over your words with fresh eyes. "The word we look for most these days is public," says the forthright Rackley. "The word *public* is in every other paragraph of every statement, and the *l* has a way of dropping out."

This item is written in the hope that typographical errors will be forgiven and that the blame for unreviewed letters will not fall on nonsignatories; it is brought to you as a pubic service.

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